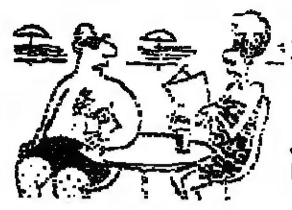
Nuclear angst
German debate goes on . . . and on
Page 13

Card revolution
When chips replace stripes
Page 10



Sun-tan blues
How healthy is your business?
Page 8

Policy trends
Better deals for early surrender
Page 12

FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY AUGUST 23 1994 | D8523A

Mannesmann cuts loss and expects return to profit

Germany's Mannesmann group cut its first-half loss to DM27m ($17.1m) from DM467m, thanks partly to restructuring and economic recovery. The industrial group expects to return to profit for the full year, but in a letter to shareholders and employees, chairman Joachim Funk said: "The economic recovery does not mean Germany's structural problems are resolved". Page 15; Lex, Page 14

Italian president defends central bank: Italian president Oscar Luigi Scalfaro defended the country's central bank, which has been under attack by ministers since it raised two key interest rates. Page 14

Nuclear smuggling: Germany and Russia agreed to combat nuclear smuggling by improving information exchanges between their intelligence agencies. Germany's nuclear fall-out, Page 13

Citic Pacific, Hong Kong-listed arm of Citic, the Beijing foreign investment company, boosted first-half net earnings by 26 per cent to HK$1.2bn ($155.3m), helped by long-term investments such as Hong Kong Telecom and Cathay Pacific. Page 15

The UK economy grew faster than expected in the first half and economists predict that full-year growth will be well ahead of the Treasury's 2.75 per cent forecast. Page 7

Somalis kill peacekeepers: Somali militiamen killed seven Indian UN peacekeeping troops in an apparent ambush near the inland town of Baledogle.

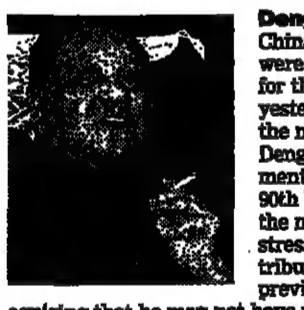
Charter wins Esab: UK industrial group Charter raised its bid for Esab, the world's leading welding equipment supplier, by £26m ($40.3m) to £286m and won round key Swedish institutional shareholders who had rejected the original offer. Page 15

Irish Americans press for Ulster ceasefire: An influential Irish-American delegation in Ulster is expected to encourage the early announcement of an IRA ceasefire when it meets Sinn Fein president Gerry Adams. Page 7

Williams Companies, Oklahoma-based gas pipeline operator, is to sell its WilTel long-distance telephone business for $2.5bn to LDDS, the acquisitive US telecommunications group. Page 15

Man jailed for IRA bombings: Building worker Sean McNulty, 26, was jailed in London for 25 years for Irish Republican Army bomb attacks on English oil and gas depots in June last year. The IRA, which opposes Britain's presence in Northern Ireland, has admitted it carried out the bombings.

S Korea's economy 'to grow 8.3%': South Korea's economy is expected to grow 8.3 per cent this year but slow to a rate of 7.5 per cent in 1995, the country's leading economic policy group said. Page 5



Deng at 90
China's official media were lavish with praise for the country's leader yesterday, but none of the many stories about Deng Xiaoping (left) mentioned that it was his 90th birthday. This year, the media have put more stress on Mr Deng's contribution to reform than previously, perhaps recognising that he may not have much longer to live. Adoring press, Page 4; Editorial Comment, Page 13

China delays securities debate: China's parliament is to delay debate on a long-awaited securities law. In the absence of formal laws, Chinese stock exchange trade is government by a series of regulations.

Militants executed: Egypt hanged five Moslem militants convicted of trying to murder interior Hassan al-Alfi minister last August. Separately, police killed three suspected militants in a shootout in the southern town of Sohag.

Child killed in Baghdad car bomb: A child was killed and 13 people wounded when a car bomb exploded in Baghdad, the Iraqi capital, near the offices of the official al-Jumhouriyah newspaper.

BP to expand Czech operations: British Petroleum has formed a joint venture with two investment fund to put more than $23m into extending its petrol station network in the Czech Republic. BP owns 42 per cent of the venture.

Invasion claim: Leaders of the breakaway Chechen republic claimed more than 30 Russian armoured vehicles had crossed their border. Page 2

Johnson & Johnson in bid for grown-up market

By Richard Tomkins in New York

Johnson & Johnson, the US healthcare company famous for its baby products, yesterday made a grab for the more mature end of the sensitive skin products market with an agreed bid worth $905.9m for Neutrogena, the US soap and shampoo company.

Mr Lloyd Cotsen, Neutrogena's chairman and chief executive, has agreed to sell his 38 per cent stake for $35.25 a share.

Johnson & Johnson is offering the same price in cash for the remainder. Neutrogena's shares, quoted on the Nasdaq screen-based market, rose $6 to $34⅝.

Neutrogena makes and sells premium-priced soaps, shampoos and skin care items that appeal particularly to people with sensitive skins.

Its best-known products are a clear glycerine soap and a clear shampoo, but it has also introduced a dandruff shampoo, a sun-tan lotion and a product called HeatSafe that protects hair from being damaged by curling irons and blow dryers. Johnson & Johnson is one of the world's biggest manufacturers of healthcare products. If the bid is successfully completed, it will add Neutrogena to its consumer products division, whose products include Johnson's Baby Oil and Band-Aid sticking plasters.

Johnson & Johnson's other divisions make drugs and surgical products. Johnson & Johnson's baby care products are widely used by adults.

But recently the company has been trying to build up a share of the market for speciality soaps, skin creams and shampoos aimed at teenagers and adults.

In 1991 it bought the Clean and Clear line of skin care products from Revlon, the US cosmetics company, and last year it bought the RoC beauty products company from LVMH, the French luxury goods group.

One factor that all the brands have in common is that they are sold mainly through pharmacies, drug stores and other outlets for healthcare products.

Johnson & Johnson will hope to increase sales of Neutrogena soaps and shampoos by feeding them through the same worldwide distribution channels as its other consumer products.

Based in Los Angeles, Neutrogena sells its products in 72 countries and has subsidiaries in Germany, France and the UK. Recently, however, growth has been lacklustre.

In 1993, net profits rose by less than 4 per cent to $24.9m. Turnover was up by 5 per cent at $281.7m, partly because of weak economic conditions in Europe.

Last year, Johnson & Johnson's consumer products division also performed relatively poorly.

International sales were hit by shifts in exchange rates, and growth in the US market was hit by competition in the over-the-counter market for vaginal yeast infection remedies. Sales rose only 0.9 per cent to $4.8bn.

Better growth came from pharmaceutical sales, up 3.5 per cent at $4.5bn, and from the professional division, which increased turnover by 4.1 per cent to $4.8. Consolidated net earnings rose 10 per cent to $1.79bn.

Washington bank settles after race bias claims over loans

By George Graham in Washington

The US Department of Justice yesterday settled a loan discrimination case against a Washington bank which refused to open branches in black majority areas, setting standards for the siting of banks' outlets.

In the first case of its kind, Chevy Chase Federal Savings Bank of Washington DC was charged with "red-lining" minority areas by refusing to open branches or market its services in them.

Although the case against Chevy Chase is not the largest case of racial discrimination the department has brought against a lender, it considerably broadens the legal net on the issue. In previous cases, lenders have been accused of turning down loans for individual loan applicants because of their race.

"To shun an entire community because of its racial makeu-p is just as wrong as to reject an applicant because they are African-American," Ms Janet Reno, the attorney-general, said yesterday.

To settle the case, Chevy Chase agreed to make $140m of special mortgage loans available at 1 percentage point below the prevailing rate in majority black areas of Washington and neighbouring Prince George's county in Maryland. Chevy Chase will also open three mortgage offices in black majority areas of Washington and one full bank branch in the city's depressed Anacostia section.

Before the settlement, Chevy Chase had 78 bank branches and 20 mortgage offices, but none were in any of the census areas in which blacks made up a majority of the population.

"Some neighbourhood banks may turn away blacks because of *their race, but other neighbourhoods* may not even have banks to which blacks can turn." Ms

Continued on Page 14

Victorious Zedillo aims to calm tensions over Mexican election

Markets rally strongly as PRI maintains its hold on power

By Stephen Fidler and Damian Fraser in Mexico City

Mr Ernesto Zedillo, the victorious candidate in Mexico's presidential elections, reached out yesterday to opposition parties in a bid to reduce political tensions after challenges over the conduct of the poll.

The main opposition parties yesterday cited widespread election irregularities on Sunday and withheld formal acceptance of Mr Zedillo's victory and that of his Institutional Revolutionary Party, which looked set to extend its 65-year reign.

However, Mr Diego Fernández de Cevallos, candidate of the right-wing National Action Party, said he would not contest the election results, likely to give the ruling party comfortable majorities in both houses of Congress.

Page 6

■ Salinas satisfied with 'clean' election

■ Victor's option to break with the old ways

■ Stocks rise but caution sounded

Financial markets rallied strongly on the result, and the expectation that there would be no significant political confrontation following the election. By midday, the Mexican stock market was up 2.6 per cent, while the Mexican peso strengthened significantly.

Mr Zedillo, 42, a former central banker and budget and education minister in the government of President Carlos Salinas, is due to take office on December 1. He was chosen as presidential candi*date after the assassination* in March of the first-choice candidate, Mr Luis Donaldo Colosio.

With votes from more than 31 per cent of polling stations counted, Mr Zedillo of the PRI had 47.74 per cent of the vote, Mr Fernández of the PAN 30.3 per cent and Mr Cuauhtémoc Cárdenas of the leftwing Party of Democratic Revolution 15.9 per cent. As votes from more remote rural areas were counted, the PRI's percentage of the vote was expected to climb to more than 50 per cent.

Mr Cárdenas yesterday addressed supporters in the main square in Mexico City, and the resulting gathering was expected to turn into protests against election fraud. "We are here to support Cuauhtémoc Cárdenas, the rightful winner. They took our supporters from the voting list so they couldn't vote," said Mr Daniel Flores, a PRD supporter.

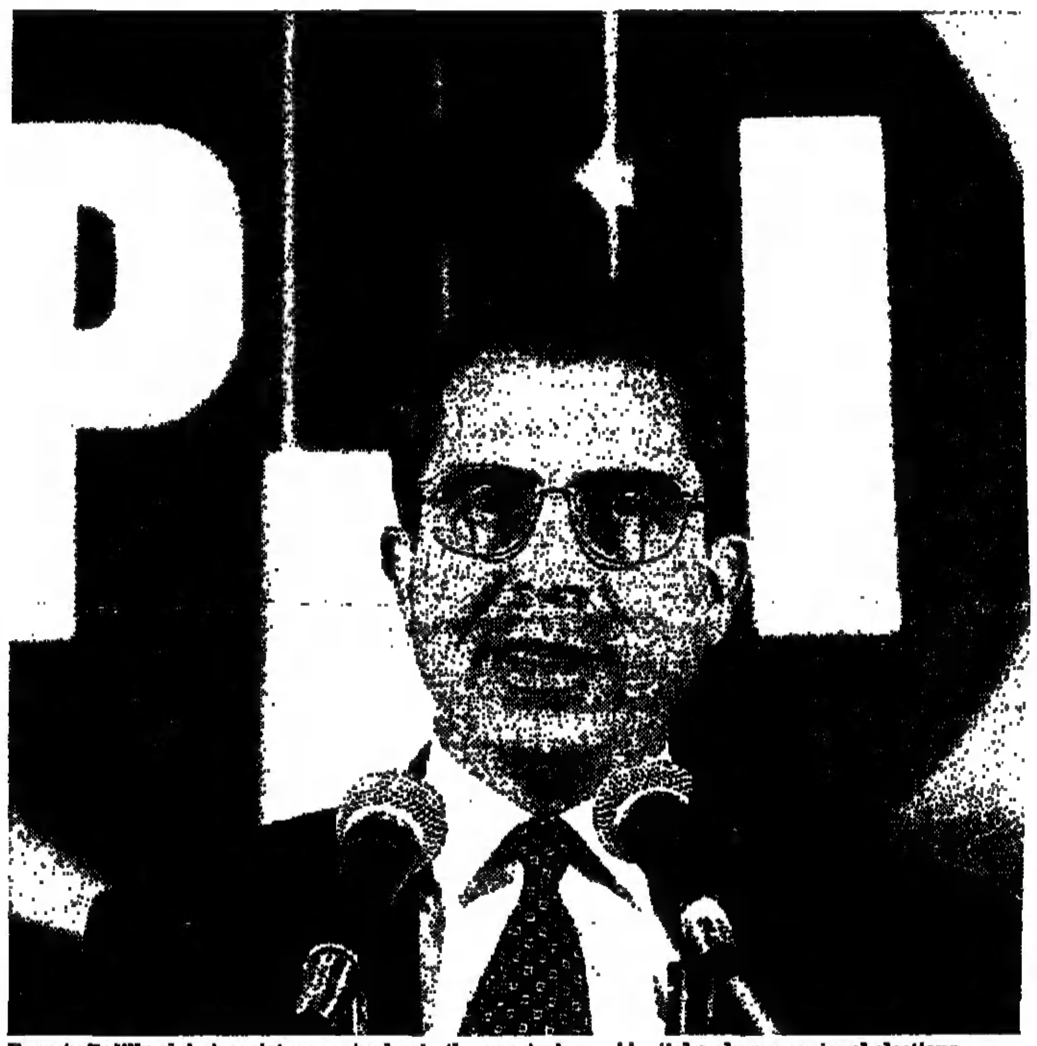
Less than an hour before he was due to speak thousands gathered in the square.

The government of President Salinas said any irregularities would not have altered the outcome of the election, though the head of an important group of citizens' observers, Civic Alliance, said the "quality of the elections is in question."

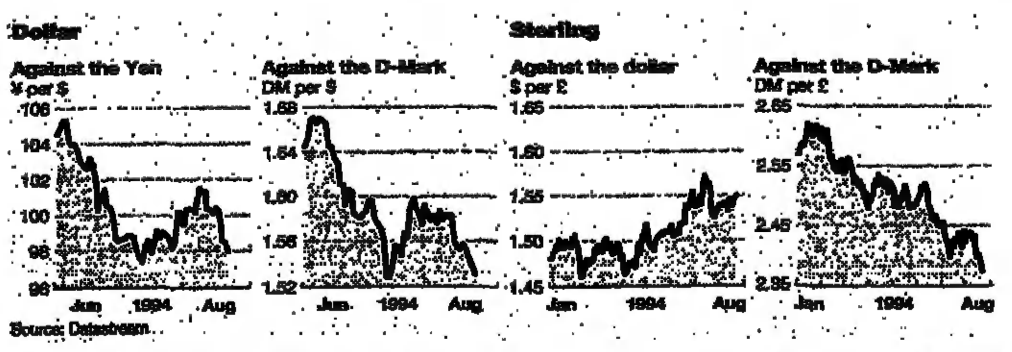
Speaking to foreign journalists after balloting closed, Mr Zedillo offered a conciliatory message to other political parties. "Never has there been such a convergence in the platforms of the main political parties. We are all converging on the centre," he said. Mexico had a "great opportunity to reach an important political agreement," he said.

According an opinion poll by Mitofsky International, a US-based polling group, and Mexican associates, Mr Zedillo benefited from the ruling party's base of strongly committed supporters and from the performance of President Salinas.

But only *only* about half the respondents said their economic situation was better now than when Mr Salinas took office six years ago.



Ernesto Zedillo claiming victory yesterday in the country's presidential and congressional elections Reuter



Source: Datastream

Dollar and sterling continue fall

The dollar and sterling yesterday continued their parallel decline, with the pound finishing at a 17-month *low against the D-Mark, writes Philip* Gawith.

Despite the release of buoyant UK GDP and trade data, sterling lost over a pfennig against the D-Mark to finish in London at DM2.3729 from DM2.3836 on Friday. Against the dollar, it closed firmer at $1.5501 from $1.5483.

Sterling has now lost 25 pfennigs from a high of DM2.62 in January. Over the same period it has risen by nine cents against the dollar, from $1.46.

Analysts said the pound was being caught in the backwash of the movements of the dollar and the D-Mark.

The dollar is slipping back towards the lows of DM1.5165 and Y96.55, touched on July 12. Yesterday it closed nearly a pfennig lower, at DM1.5309 from DM1.5396. It also slipped below Y98, closing at Y97.96 from Y98.475. The market remains concerned about US-Japan trade talks, whether the Fed is winning the fight against inflation and the weakness of the Clinton presidency.

Lex, Page 14
Currencies, Page 30

■ STOCK MARKET INDICES		
FT-SE 100:	3,171.3	(-20.1)
Yield	3.97	
FT-SE Eurotrack 100	1,341.33	(-10.96)
FT-SE-A All-Share	1,590.67	(-0.5%)
Nikkei	20,394.58	(-118.12)
New York: lunchtime		
Dow Jones Ind Ave	3,748.31	(-6.80)
S&P Composite	462.5	(-1.18)
■ US LUNCHTIME RATES		
Federal Funds:	4 11/16%	(4 5/8%)
3-mo Treas Bills: Yld	4.664	(4.656%)
Long Bond	99½	(100⅛)
Yield	7.535%	(7.483%)
■ LONDON MONEY		
3-mo Interbank	5 7/16%	(5 15/32%)
Liffe long gilt future:	Sep 100¾	(Sep100 9/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$15.7	(16.59)
■ GOLD		
New York Comex (Dec)	$386.7	(386.90)
London	$382.7	(382.10)

■ STERLING		
New York lunchtime:		
$	1.55735	(1.549)
London:		
$	1.5501	(1.5483)
DM	2.3729	(2.3836)
FFr	8.1366	(8.1790)
SFr	2.0011	(2.0014)
Y	151.843	(152.464)
£ Index	78.2	(78.5)
■ DOLLAR		
New York lunchtime:		
DM	1.52775	(1.53965)
FFr	5.2275	(5.2795)
SFr	1.2865	(1.2955)
Y	97.885	(98.675)
London:		
DM	1.5309	(1.5396)
FFr	5.2492	(5.2831)
SFr	1.291	(1.2927)
Y	97.96	(98.475)
$ Index	62.2	(62.5)
Tokyo close Y 98.11		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(m'land) Es225		Turkey	L30000
						UAE	Dh12.00

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Moscow considers price freeze

Russian debt crisis worries World Bank

By Chrystia Freeland and agencies in Moscow

The World Bank began yesterday to offer Russian ministers advice on how to resolve the country's fast-growing debt crisis amid fears that Moscow is planning a prices freeze.

Russia's growing inter-enterprise debt, estimated by officials to exceed Rbs90,000bn ($42bn at the market rate), is at the top of the government's agenda and could determine the fate of Russia's fragile economic reforms.

In a heated meeting over the weekend of the emergency government commission convened to discuss the debt crisis one suggested solution was to freeze wages and prices. "A wage and price freeze is one idea that is floating around," said Mr Ardy Stoutjesdijk, director of the World Bank office in Moscow, who met Russian officials yesterday.

But Mr Stoutjesdijk, who said the Russian government considered the debt problem to be "urgent," advised Russian ministers not to adopt such a strong-armed state approach.

While Russian officials and western financial institutions consider how to resolve the debt crisis its negative effects on the Russian economy are becoming increasingly apparent. The Russian rouble hit a new low of 2,190 roubles to the dollar in trading yesterday amid market fears that the government will continue to bail out insolvent enterprises.

The Russian central bank announced yesterday it was cutting its three-month refinancing rate to 130 per cent from 150 per cent, despite the rouble's fall. It is the second rate cut this month and the seventh this year.

The new rate is effective immediately, a bank official said. The cut continued previous policies and brought the central bank rate closer into line with money market rates, currently around 105 per cent for three-month cash.

The bank was also concerned about non-payments in every sector of the economy and about falling production, the official added. "This is a continuation of our existing policies".

At the meeting yesterday between Russian ministers and the World Bank, Mr Oleg Soskovets, the deputy prime minister who heads the debt commission, spoke out against the idea of an absolute price freeze. But, in an attack on radical market reformers who argue that heavily indebted enterprises should all simply be allowed to go bankrupt, Mr Soskovets criticised "those politicised economists who believe that the formation of a market should occur in circumstances of total chaos".

Millions of victims of Stalinist repression could be compensated for their confiscated property as Russia continues to exorcise the trauma of its Soviet past, writes John Thornhill.

According to the Itar-Tass newsagency, the Russian government has passed a resolution promising to reimburse innocent victims of repression either by returning their original property or paying the cash equivalent. Details remain sketchy and the complications of implementing such a plan are vast. It is also likely that approval would first be needed from President Boris Yeltsin.

The scheme would certainly open up a Pandora's box of highly-emotional claims. During Stalin's 30-year rule, many millions were persecuted, including whole ethnic groups such as the Russian Germans, Ingushis and Crimean Tartars. Establishing the claims of respective parties would be fraught with difficulties.

Itar-Tass reported that all citizens of Russia and the other republics of the former Soviet Union would be eligible for compensation as well as foreign and stateless victims. The heirs of the repressed could also inherit their relatives' laims.

Mr Soskovets outlined a few immediate measures the Russian government will take to alleviate the debt crisis. He said Russia intends to pursue "a more severe policy with regard to the countries of the near abroad," a reference to the former Soviet republics whose unpaid bills to Russia are one source of the galloping debt.

Mr Soskovets also said that the Russian government would assume responsibility for that portion of the debt owned by state ministries and would help pay workers salaries, which in some factories are more than four months late.

He also said the government might impose price ceilings on monopolist energy suppliers and transport companies.

Mr Stoutjesdijk warns that "there is no magic solution" to the debt crisis, but says it is crucial that the government should avoid the mistake it made in 1992 when Prime Minister Yegor Gaidar's bold market reforms were sabotaged by the decision to bail out indebted enterprises.

One proposal put forward by the World Bank at yesterday's meeting was that the Russian government develop a separate strategy to deal with that portion of the debt – estimated at one third – owed to energy suppliers.

Action promised over plutonium

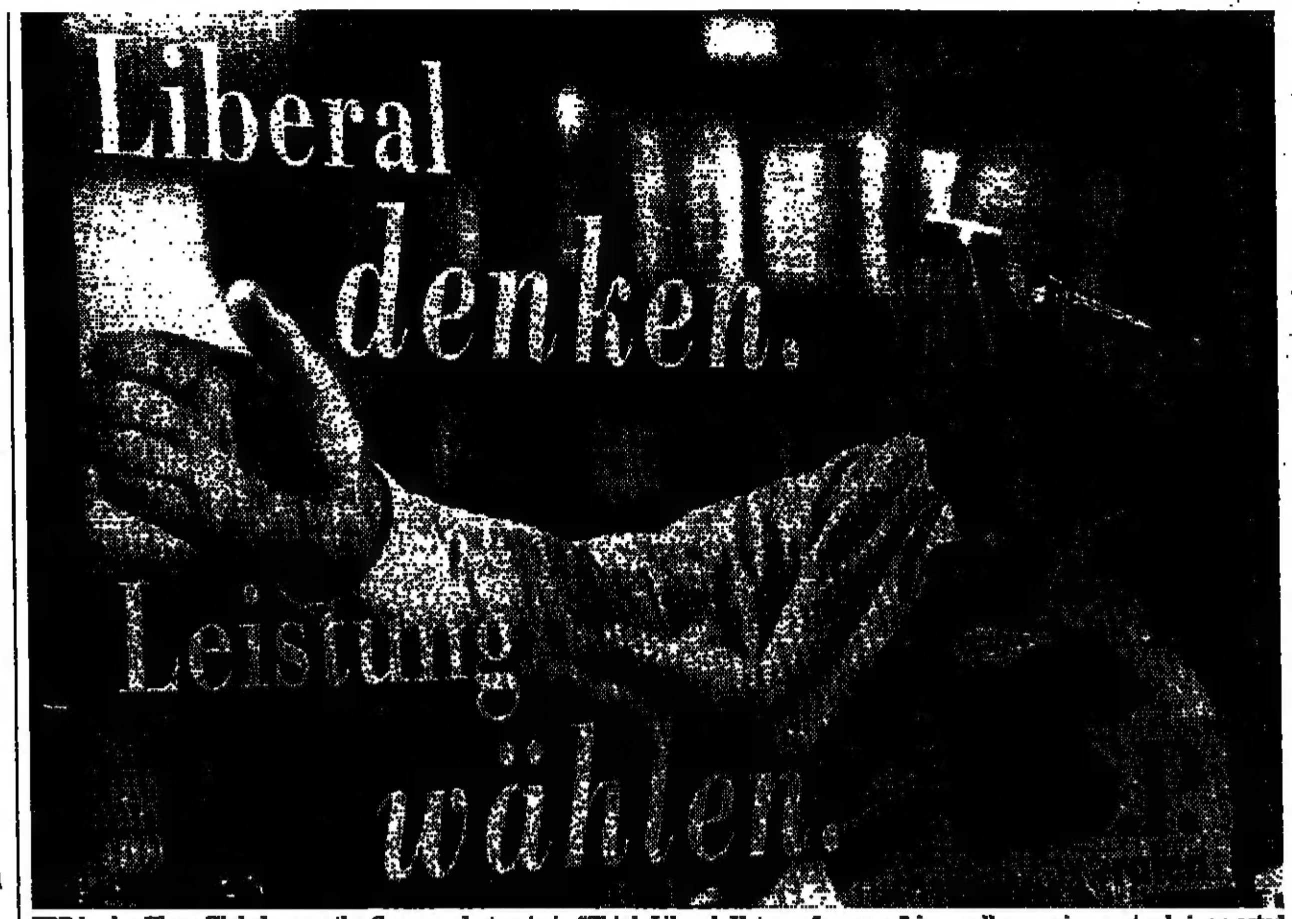
By John Thornhill in Moscow

Wider and deeper co-operation was promised to counter the threat of plutonium smuggling as German and Russian security officials concluded their talks in Moscow yesterday. The two sides said they would release a joint statement about what measures could be taken as soon as both countries' leaders had approved them.

Diplomatic sources suggested the package would probably consist of a closer exchange of intelligence information, tighter border controls and greater financial assistance to help redirect Russia's nuclear expertise in more peaceful directions.

Mr Bernd Shmidbauer, Germany's security co-ordinator who arrived in Moscow with a team of nuclear experts on Saturday, held a final round of talks yesterday. But Russian officials continued to deny that batches of plutonium which had recently turned up in Germany originated in Russia despite the claims of western experts. Mr Sergei Stepashin, head of Russia's counter-intelligence service, said: "We do not have a clear answer to the question of where this plutonium comes from."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer und in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41, Fax 33 93 53 35.



FDP leader Klaus Kinkel urges the German electorate to "Think Liberal. Vote performance" in a poll campaign poster being pasted up in front of party headquarters in Bonn yesterday *Reuter*

Red Socks aim to get a foot in the German parliament's door

Judy Dempsey on the poll prospects of the east's ex-communists

GERMAN FEDERAL ELECTIONS
October 16

Mrs Herta Plache had just started on her 3,560th tiny red woollen sock, the symbol – and the nickname – of Germany's Party for Democratic Socialism (PDS). The successor to east Germany's former communist party has become the repository for many east Germans' hopes. Still more important, it could end up holding the balance of power in the Bundestag after October's general election.

Mrs Plache, 83, knits six socks a day. Then she gives them to Neues Deutschland, once east Germany's communist party daily newspaper and now the region's main left-wing daily, with a circulation of 135,000 copies. "The paper sells the socks to PDS supporters," she says, sitting in her small apartment in east Berlin. "I've been doing it since 1990. It is my small contribution to the PDS."

She is one of the 130,000 paid-up PDS members in eastern Germany who hope the party will win at least three seats, the minimum required to enter the Bundestag in October.

That prospect is being taken seriously in Bonn. Chancellor Helmut Kohl sees the PDS as the bogeyman of the election. His party, the Christian Democratic Union (CDU), and its senior coalition partner, the Bavarian Christian Social Union (CSU), have issued constant warnings about the return of the communist threat in the guise of the *Rote Socken* – the red socks.

Mrs Plache claims the established political parties in Bonn "are doing everything in their power to discredit us. They accuse us of wanting a return to the old communist system. This is not true". Criticism of the PDS intensified after the elections in the eastern state of Saxony-Anhalt last June when, after winning 20 per cent of the vote, the party lent its support to a minority Social Democratic/Green coalition and ousted the CDU.

If it wins seats in parliament, this episode shows how the party could play a pivotal role in helping determine who will govern in Bonn.

Recent opinion polls give the CDU a lead of 9 percentage points over the Social Democrats (SPD), but it is taking no chances. The party's main concern is that support for the PDS could usher in an SPD/Green coalition on the Saxony-Anhalt model by helping to dislodge CDU governments in forthcoming state elections in Saxony, Thuringia, and Mecklenburg-Vorpommern.

The SPD and the Greens repeated yesterday that they would not form a minority government tolerated by the PDS even if such a coalition would let them oust Mr Kohl in October. Yet the possibility that this outcome could emerge has become one of the main political talking points in Germany.

In pre-election jousting in east germany, one of the PDS's main advantages is that it inherited the old party structures of the former communists, or Socialist Unity party (SED), and some of the membership.

"Our strength lies in our grassroots organisation," says Mr Lothar Bisky, a leading member. Ninety per cent of all PDS members are former SED card-carriers. However, more than two-thirds of members are over the age of 60.

Reflecting their long-term contacts with the regions in which they are based, most PDS activists are well-known locally. By contrast, many CDU and SPD activists, originally sent into eastern Germany to build up local organisations, have since returned to the west, leaving the local parties in disarray.

"The service the PDS provides is invaluable and we all know them," said Mrs Plache. "They help me fill out the endless bureaucratic forms.... Above all, they protect our interests."

In east Berlin, for example, the PDS has campaigned against a decision by the cash-strapped government of Berlin to scrap public transport subsidies for pensioners. "None of the other parties bothered to help save this cheap travel for us. They don't understand our problems," added Mrs Plache. Her monthly rent of DM646 (£271) – DM98 before unification – swallows up two-thirds of her monthly pension.

Representing the interests of the east Germans is one of the main planks of the PDS election campaign. Mr Otto Theel, elected mayor of Neuruppin in Brandenburg last December, says he won because "I am one of them. I understood their problems thrown up by unification".

"Bonn is a very long way from eastern Germany," explains Mr Theel. He believes west German politicians do not understand the difficulties caused for east Germans by higher rents, privatisation of the housing stock, or the closure of local child care centres.

Many politicians from the established German parties believe the PDS represents the voice of the disaffected, and hope it will disappear once a self-sustaining economic upswing materialises in the east. However, a study by Berlin's Free University indicates that this protest vote may be around for some time. Many PDS members who are on low incomes or unemployed, or have taken early retirement are likely to remain dissatisfied with post-unity conditions for a lengthy period.

"I do not believe that the PDS is an ephemeral party," says Mr Bisky. "In the long term, we want to become the alternative to the SPD in eastern Germany. There is a need for a left-wing party in Germany, especially in eastern Germany." The SPD is too centrist. It has failed to grasp our problems, which explains why the PDS is filling that vacuum left by the SPD here in the east."

Mr Gregor Gysi, one of the party's leading members, wants to transform it into a modern social democratic party to represent the east German population who feel they have no voice in united Germany. It will not be an easy task.

The PDS is far from a monolithic, disciplined party of the old SED days. The grassroots comprise the Communist Platform splinter group, die-hard Marxists who reject the capitalist system, and which in turn provide easy prey for CDU's attacks on the party. Mr Gysi cannot yet rein in this section of the party - he needs them to help organise locally. The outcome of the federal elections might give him the chance to modernise it.

"If we get our three seats in the Bundestag, it will give us the clout and the authority to help us redefine the future direction of the PDS," says Mr Bisky. "The end of the cold war does not mean the end of the left here, or in eastern Europe, as recent elections in Poland and Hungary have shown. Maybe Bonn would wish otherwise. But the trends in post-communist countries suggest that voters want a stake in the changes brought about by the collapse of the communist era. Above all they want a voice to represent their interests. I hope the PDS is that voice."

"So do I," says Mrs Plache in her east Berlin flat. "I want to keep knitting red socks until the day I die."

CDU warning to unemployed who refuse 'reasonable' jobs

Days before the formal launch of its election manifesto, Germany's governing Christian Democrat Union (CDU) yesterday said it would reduce social assistance for people who refused to accept "reasonable" jobs, writes Michael Lindemann in Bonn. The warning is part of a series of government measures designed to reduce unemployment, a struggle in which both the CDU and the opposition Social Democratic party (SPD) want to demonstrate their credentials in the campaign.

Mr Peter Hintze, CDU general secretary, said social assistance (the basic category of benefit paid to the estimated 900,000 long-term unemployed) would be reduced if jobs were rejected. The CDU was still debating the details of the proposal, he said.

The employment initiative is one of a few morsels which have dropped from the table at which the CDU and its Bavarian sister party, the CSU, are putting the final touches to their 65-page election manifesto which is to be launched on Thursday. Mr Hintze said the manifesto's top priority would be to create jobs. A drive to shore up family values and the fight against crime were other important features.

Both the CDU and the SPD have made the fight against rising unemployment the mainstay of their campaigns. Although the economy is set to grow by 2.5 per cent this year the jobless total is set to remain at around 3.7m, close to a post-war high.

Chancellor Helmut Kohl's government has announced several initiatives this year including incentives for the civil service to provide more part-time jobs and permission for private employment agencies to compete alongside *state*-owned bodies in the labour market. In an effort to make further savings in next year's budget the government is also debating whether to introduce a two-year limit on the payment of unemployment benefit, which has so far had no restrictions attached to it. The limit could save up to DM6.5bn according to finance ministry estimates and would put people on to subsistence-related social assistance.

Jackal's lawyer starts to hound the Elysée

By David Buchan in Paris

If you were a lawyer defending "Carlos the Jackal", the alleged international terrorist extradited from Sudan to face bombing charges in France, it would be hard to be more controversial than your client - but that is just what Mr Jacques Vergès has just succeeded in doing.

The "Vergès affair" threatens, briefly at least, to eclipse the "Carlos affair", with Mr Vergès accusing President Mitterrand of deciding to have him killed in the early 1980s, a charge ignored by the Elysée and denied yesterday by former counter-intelligence chiefs but implicitly supported on television on Sunday night by a former anti-terrorist policeman.

Mr Vergès has specialised in controversial cases, defending members of the Algerian anti-colonial FLN movement in the early 1960s, associates of Carlos in the early 1980s and more recently Klaus Barbie, the Nazi war criminal. He recently wrote a book called "An Open Letter to My Algerian Friends", warning the Algerian authorities that, in suppressing the Islamic fundamentalists, they were using the same oppressive tactics they had accused their former French colonial masters of.

The variety of Mr Vergès' clients certainly confused at least one foreign intelligence agency. In recent days, the French press has cited files unearthed from the Stasi of the former East Germany, claiming that Mr Vergès has been a go-between Carlos and France's Mauroy government in the early 1980s, a terrorist "directly implicated" in a 1982 rocket attack on France's Creys-Malville nuclear reactor, and an agent for the US Central Intelligence Agency, apparently because of his defence of Barbie.

Mr Vergès flatly denies the second and third charges, and describes the first as a diversionary tactic to detract from his current defence of Carlos, whom he has formerly accused the French government of kidnapping from Sudan.

Saying that he did discuss the fate of Carlos' associates in the early 1980s with senior officials of the Mauroy government, Mr Vergès also claimed he was put on a list of supposedly dangerous people for "rapid elimination", and that this task was given to Mr Paul Barril, whom he defended on a charge of falsifying evidence on suspected Irish terrorists in 1982. It was Mr Barril who said Mr Vergès was "a priority target" for the French authorities.

Meanwhile, a senior Sudanese official told the French press over the weekend that the extradition of Carlos was a "model of co-operation" between the two countries. Mr Alain Juppé, the French foreign minister, was yesterday more circumspect about relations with Sudan, which he said was conducting "an extraordinarily bloody war" against its south and was "sometimes" suspected of harbouring terrorists. However, the minister said there was no hidden "counterpart" in the Carlos extradition, such as Iranian pressure on Khartoum in gratitude for France's return of two suspected Iranian terrorists to Tehran last year.

EUROPEAN NEWS DIGEST

Chechens say border crossed

Leaders of the Chechen republic yesterday claimed that more than 30 Russian armoured vehicles had entered their territory. Speaking on the telephone from Grozny, the Chechen capital, Mr Ayub Satuev, the minister of the interior, claimed that the vehicles were operated by Russian soldiers. Mr Satuev said the equipment would be given to the Russian-backed opposition forces, which control some Chechen territory and are trying to oust President Dzhokhar Dudayev. Over the past month Moscow has waged a fierce rhetorical battle against the breakaway Chechen state, whose ability to maintain effective independence for nearly three years is seen as an affront.

Opposition leaders, who have been handing out cash provided by the Russian government to their supporters, have said that they plan to hold a demonstration in Grozny, Mr Dudayev's stronghold, on Thursday. Observers believe that the demonstration could develop into an armed showdown. The situation has been complicated by the recent return of Mr Ruslan Khasbulatov, the former chairman of the Russian parliament. A sworn enemy of Russian President Boris Yeltsin and a native of Chechnia, Mr Khasbulatov is trying to make a political comeback. *Chrystia Freeland, Moscow.*

MMM reopens for business

The Moscow offices of the MMM investment fund re-opened yesterday to queues of prospective investors despite the collapse in its share price last month and government warnings that its new "tickets" were not valid stocks. The tickets are not officially registered as shares and thus the government, which warned potential investors that they would be buying nothing more than "pretty postcards", has few legal means to prevent their sale. The MMM offices had been closed since August 4, when tax police arrested Mr Mavrodi on charges of tax evasion. Mr Mavrodi reversed the decision to close the branches last week in an order issued from his prison cell.

The 10,000 Russians who have signed up to buy the tickets are making a questionable investment. The tickets are being sold for 1,515 roubles each on the strength of the MMM fund's promise to at some unspecified date redeem the tickets for MMM shares at a rate of 100 tickets per share. Ticket buyers are thus gambling that MMM shares will eventually rise to a value of 151,500 roubles each. On the informal black market which has developed on the pavements outside MMM branches in Moscow, shares are selling for up to 9,000 roubles and MMM tickets are unofficially changing hands at 3,000 roubles each. *Chrystia Freeland, Moscow.*

Markets welcome budget plans

The Swedish krona stiffened yesterday and long-term interest rates eased as financial markets gave an initial welcome to a pledge by the opposition Social Democratic Party to take tough action to curb fast-growing government debt if its wins next month's general election. The markets expect the Social Democrats, the country's biggest political party, to win the election and had driven up interest rates and speculated against the krona in the absence of a detailed opposition plan to stem the SKr200bn (£16.7bn) budget deficit. The proposal unveiled on Friday evening to strengthen the budget by SKr61bn over the next four years through a mix of tax rises and spending cuts has been criticised as "too little, too late" by the centre-right government. *Hugh Carnegy, Stockholm.*

Dutch coalition sworn in

Queen Beatrix yesterday swore in Mr Wim Kok, the Labour party leader, as the new prime minister of the Netherlands. Mr Kok's three-party coalition government of Labour, the right-wing Liberals and the left-leaning D66 party is taking office more than three months after general elections in which the Christian Democrats, led by outgoing prime minister Mr Ruud Lubbers, suffered an historic defeat. The new cabinet's first task will be to put together a "government declaration" that will be debated in parliament next week. It will also start filling in the details of the 1995 budget, due to be presented in parliament on September 20. *Ronald van de Krol, Amsterdam.*

Greece steps up deportations

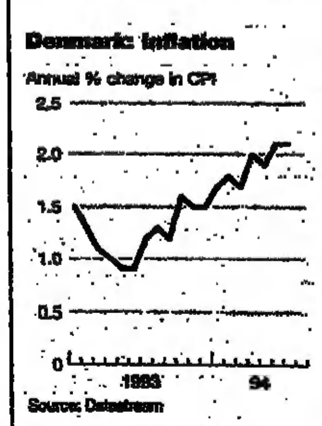
Greece has stepped up its deportations of tens of thousands of illegal Albanian refugees in retaliation for Albania's trial of five ethnic Greeks. The trial has been described as a "parody" by Greek officials. More than 5,000 Albanians have been expelled within the past eight days. Greece says there are over 300,000 ethnic Greeks living in Albania but Albania claims the number is about 70,000. In a separate development, the British Helsinki Human Rights Group has published a report which accuses the Greek government of routinely suppressing the small Macedonian community which lives in northern Greece. *Reuter Athens.*

BP plans Czech expansion

British Petroleum has formed a joint venture with two investment funds to put more than $23m (£14.8m) into extending its network of petrol stations in the Czech Republic, BP's Prague general manager said yesterday. The joint venture, BP Cerpaci Stanice CR, is 42 per cent owned by BP. The remainder is held by two capital markets investment funds – the Czech and Slovak Investment Corporation (CSIC), managed by international broker Robert Fleming Securities, and the New Europe East Investment Fund (NEEI), owned by the privately-held US fund manager Capital International. Mr Mike Gibbon said BP would expand from four filling stations to 12 by 1996, and later would increase the number of stations to as many as 30. *Reuter, Prague.*

ECONOMIC WATCH

Danish inflation falls to 2.1%



Denmark's Consumer Price Index fell 0.2 per cent in July from June, with the year-on-year inflation rate down to 2.1 per cent, said Danmarks Statistik, the Danish national statistics agency. Also released, the Danish current account surplus for February to April fell to DKr5.0bn compared with a surplus of DKr9.4bn for the same three-month period in 1993. The agency said the decline in the current account surplus was caused by a strong rise in imports and predicted that this trend was likely to continue. *Reuter*

■ German industrial capacity utilisation rose to 82.3 per cent in June from 80.3 in March, according to a survey by the German economics institute IFO. The institute said it expected increased utilisation rates in the third quarter. The rise stemmed primarily from increases in semi-finished products and investment goods. The metals industry showed a particularly high capacity use rate, up to 85.8 per cent in June from 81.7 in March.

■ Dutch consumer confidence continued to improve in August and hit its highest level since August 1990, reported the government's Central Bureau for Statistics.

■ Italian consumer prices rose 0.2 per cent month on month and 3.7 per cent year on year in July, according to unofficial data collated by the city of Bologna.

■ Hungary's current account showed a deficit of $1.429bn in the first five months of the year, reported the National Bank of Hungary. According to preliminary calculations, the deficit increased by almost $500m in June, which means that the deficit for the first half of the year is expected to be $1.9bn.

EU toughens stance on Turkish trade ties

By John Murray Brown in Istanbul

The European Union is toughening its stance in negotiations with Turkey on a customs union, indicating it may cancel the date for implementation if progress on legislative reform is not made.

Turkey is due to enter the customs union - lowering its trade barriers to EU goods to zero and adopting the Union's common external tariff - on January 1 1996.

However in a move strongly opposed by the Turks, Brussels has now thrown in an additional review date - September 1995 - giving the EU an effective last minute opt-out of the negotiations.

Commission officials insist the ball is in Turkey's court. The EU opened its markets to Turkish industrial products in 1973. However, Turkey has still got some way to go to cut tariffs and adopt legislation that will bring trade and industrial policy into line with that of the EU.

A customs union is an important step to closer ties with Europe, first envisaged in the Ankara agreement of 1963, and Mrs Tansu Çiller, the prime minister, has made it one of her key policy targets. The next few weeks will decide whether or not the two sides can narrow their differences.

Mrs Çiller sent a "white paper" to all government departments in May outlining the conditions and timetable to be met.

In early September, the EU Council is expected to give its endorsement to a framework work programme to complete the customs union.

However, commission officials warn there is considerable work to be done before foreign ministers of the Turkish-EU Association Council can meet in December to give the final go-ahead.

Turkey currently engaged in an economic structural adjustment effort, under the auspices of the International Monetary Fund.

There is some concern that difficulties in fulfilling the IMF's standby agreement could hinder the reforms needed to put a customs union in place.

The Fund is due to make its first review of progress in the second week in November.

The main EU concern is that Turkey's parliament may have problems approving legislation in critical areas such as intellectual property rights, industrial and competition policy.

There are still a number of key points of disagreement:

- During his visit in February, Sir Leon Brittan, the EU trade commissioner, warned that if a competition policy in line with the EU's was not in place and operating, the EU's anti-dumping provisions, which Turkey wants lifted, would be retained beyond the date of customs union implementation
- Turkey wants the quotas lifted on textiles, Turkey's largest export earner with around \$5.3bn of sales in 1993, 70 per cent of which went to EU markets. However, the EU is under pressure from Spain and Portugal, who are wary of increased Turkish textile shipments to the Union
- On technical standards, Turkey wants both sides to adopt the principle of mutual recognition, while the EU calls for Turkey to adopt the EU code
- Perhaps the most contentious issue is that of financial co-operation which Turkey maintains the EU is obliged to provide as part of the original Ankara accords.

The EU appears amenable to some form of financial support, but wants the issue treated separately from the customs union negotiations.

Oil companies 'using older tankers'

By Charles Batchelor, Transport Correspondent

Many of the world's largest oil companies are continuing to charter very old tankers despite concerns about the threat old vessels pose to the environment.

Tanker owners also appear to be cutting down on maintenance and repair work.

These findings emerged from two surveys carried out for the International Association of Independent Tanker Owners (Intertanko).

The surveys looked at the age profile of chartered supertankers, vessels of more than 200,000 tonnes, and at the time tankers spent undergoing repair in dry dock.

> The average age of chartered supertankers in the first seven months this year was 14 years

The Kuwait Petroleum Company topped the list of large charterers using vessels with an average age of 18 years followed by Total, the French group, with an average of 17 years.

British Petroleum and Exxon used chartered fleet which was on average 16 years old. The average age of supertankers chartered by all companies in the first seven months of 1994 was 14 years with Shell, the Anglo-Dutch group, employing vessels with an average age of 13 years and Mobil of the US using a fleet of 12 years.

All of the top 10 charterers were prepared to use individual vessels up to 20 years old, frequently a time when the need for significant repairs emerges and owners decide to sell or scrap.

But fears that the increasing age of the world tanker fleet in itself poses a higher risk of oil spills and environmental damage does not appear to be born out despite insurance industry pressure to levy higher premiums on older ships.

Commenting on the survey findings, leading oil companies said age was only one factor they took into account.

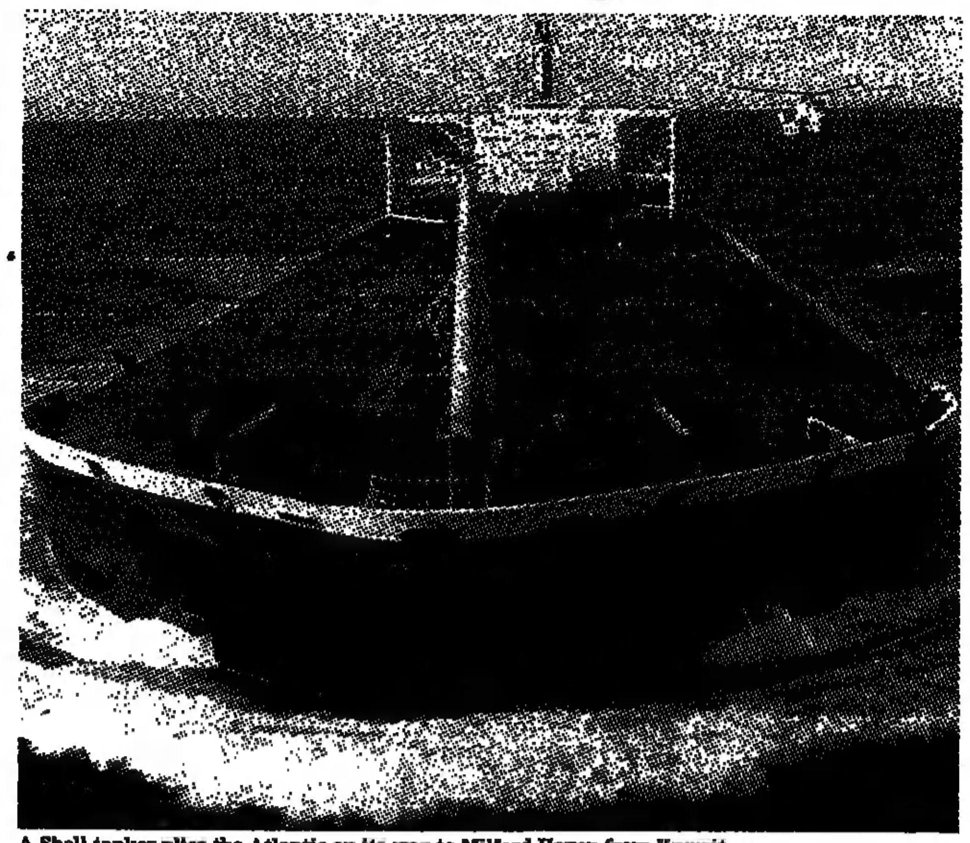
"We carry out regular positive vetting," BP said. "You can have a three-year-old ship which has not been maintained as well as an 18-year-old vessel."

Exxon said it would be chartering newly built tankers over the next two years, but emphasised that it assessed "a ship's condition, history, owner, operating practices and management. We don't exclude a ship solely because of its age."

But the increasing average age of the world tanker fleet and stricter controls should have led to a rise in the number of tankers undergoing upgrading and repair in dry dock, Intertanko said.

Yet only 300 tankers entered dock in the first half of 1994 compared with nearly 900 in the whole of 1991. They spent on average 22 days in dock compared with 26 days in 1992.

Owners appear to be delaying work because of financial pressures, Intertanko said.



A Shell tanker plies the Atlantic on its way to Milford Haven from Kuwait Glyn Genin

Turkey grapples with a looming power shortage

The $1.3bn promised for the energy sector may be in doubt, writes **Johnn Murray Brown**

Turkish energy policy is back on the front burner, as the authorities grapple with the prospect that the country could face a power shortage as early as the start of 1996.

Turkey confronts an awkward dilemma - how to invest in new capacity while adhering to the foreign debt ceilings envisaged under the economic standby agreement with the International Monetary Fund.

Mrs Tansu Çiller, the prime minister earlier promised to allocate \$1.3bn for the energy sector under the 1994 investment programme, although in the wake of the current austerity measures the fate of that undertaking is unclear.

Mrs Çiller is also pushing ahead with plans to privatise Tek, the state run utility.

Last September, the government submitted a decree dividing Tek into two separate public companies, comprising the transmission and generation businesses (Teas) and Tedas, the distribution unit. During the first stage the government plans to privatise 10 lignite-fired power plants, starting with the Afsin-Elbistan plant.

But, however much the government is able to stick to its IMF programme, and turn around the economy, if the country suffers power cuts, the recovery could be *nipped* in the bud.

According to a study by the energy ministry, Turkey needs to build 187 power plant units by 2010 to meet electricity demand of 308bn KWh, compared with 71.7bn KWh in 1993. Total energy investment is estimated at \$32bn over the next 10 years, two thirds of which will be in power plant, and the rest in distribution and transmission lines and resource development.

Energy experts say Turkey will need 1m kW additional capacity every year to meet the demand to the turn of the century and 2m kW annually after that date.

The energy ministry has drawn up plans for 24 lignite fired units, with total generating capacity of 9.785m kWh; 27 natural gas fired units generating 12.150m kWh; 21 coal-fired plants, with 10.5m kWh; 2 nuclear power plants with 2.132m kWh and 113 Hydro-Electric units with capacity of 14.4m KWh of electric energy.

The plan represents significant opportunities for foreign companies wishing to supply generation equipment.

In Turkey, the only locally manufactured equipment are hydraulic type turbines for power units of up to 60,000 KW, and small boilers and generators. In 1993, an estimated 90 per cent of the \$360m spent on electrical equipment was imported from foreign companies. An industry report by the US embassy in February, estimated that equipment demand would grow by 9 per cent over the next 3 years.

Turkey's main constraint is finance, at a time when access to debt markets has been closed off by a series of downgradings by US credit rating agencies.

One possible solution is Build Operate and Transfer (BOT) private projects, which can be used to fund large scale public infrastructure without effecting the country's debt profile. First championed by the former Turkish president Turgut Ozal, BOT schemes allow private developers to recover their costs for building a plant through operating it for a fixed period, before handing it back to the state.

> The problem is how to invest in new capacity while adhering to foreign debt ceilings

The argument in favour of BOT schemes is that they encourage project discipline, in that the financial risks are taken by the developer, rather than the state, and that project over-runs delay the start of the developer's recovery of costs. The one grey area is what happens when, for reasons beyond the developer's control, the project has to be abandoned.

The government is considering proposals from a number of consortia. Enron of the UK and the Wing Group, the small US power developer, are in partnership on a \$600m dual fired gas and oil plant at Marmara Ereglisi, east of Istanbul.

A consortium led by ABB, the Swiss-Swedish power giant, is considering a similar scheme for the Marmara region. Trinity Partners have proposed a coal-fired plant in Anatolia.

Meanwhile Philipp Holzmann of Germany is negotiating terms for a hydro-electric power station on the Euphrates river at Birecik, in eastern Turkey, near the Syrian border. In total the BOT proposals represent some 10m KW of new capacity.

"There is a greet need for these projects," says Mr John Wing of the Wing Group.

But all three Turkish BOT projects have met resistance from Tek, whose role the private developers will replace.

The Enron-Wing consortium has linked up with Midland, the privatised UK utility, to deal with the "operating" part of the franchise, a pattern repeated by a number of the UK's privatised utilities as the new companies seek to maximise their "unregulated" profits. It has also signed an energy supply contract with Botas, the gas pipeline company.

However, the real sticking point is over the payment obligations of Tek, which will take the power produced by the project. The consortium wants the treasury to guarantee these amounts. There is also some concern over what would happen in the event that Tek is privatised.

NEWS: INTERNATIONAL

Central Committee calls for faster industrialisation and modernisation

Vietnam admits an equality gap

By a correspondent in Hanoi

Vietnam's ruling Communist Party has admitted what economists say could be the biggest threat facing the country's recent rapid economic growth; a yawning gap between the urban and the rural economy.

A resolution issued by the party's Central Committee calls for faster "industrialisation and modernisation", a catchphrase reflecting growing concern over the country's ability to reach the ambitious target of doubling per capita income by 2000.

The phrase is understood to mean an increased emphasis on developing Vietnam's state manufacturing sector, much of which has limped along on dwindling state subsidies since economic openness, or doi moi (renovation), was officially sanctioned in 1986.

The emphasis appears to be on attracting the country's vast rural workforce into the sector.

The resolution added that Vietnam was now facing "acute difficulties" because of low economic growth, loose control of inflation, limited funding sources and increased competition, reflecting increased candour in the way policymakers are dealing with the country's progress to a market economy.

Keen to avoid the chaos that engulfed many of the former eastern bloc countries' attempts at fast-track private-sector growth, Vietnam's leaders are steering policy towards placing crucial state industries into commanding positions in the economy while encouraging foreign investment and private-sector growth.

Despite an impressive list of economic achievements, including attracting $9.5bn in foreign investment in the past five years and sharply reducing inflation, the results of economic reform have so far been felt mainly in the capital, Hanoi, and the southern industrial centre Ho Chi Minh City.

In both cities, a growing class of new rich is enjoying increasing spending power. But they account for only 20 per cent of the population. The rest are still locked into the low-paying agricultural sector, where unemployment is increasing. "The real issue is to get people out of the agricultural sector and into industry," a Washington-based official at the World Bank's agricultural division said.

Local press reports say that last year industry accounted for only about 20 per cent of gross national product.

Figures released last month by the country's national statistical bureau disclosed rapid growth in foreign trade but also a budget deficit of about $200m (£133m) as imports have overtaken exports.

Although national per capita income is often quoted as $220, many economists agree that it would be more realistic to make a distinction between Ho Chi Minh City, where the figure is unofficially put at about $500, and the countryside, where the figure of $220 is said to be more accurate.

The Central Committee's resolution said Vietnam must create the conditions necessary for private business to invest in production and joint ventures and co-operation with the state-owned economic sector.

"We must continue to renovate economic policies, especially the financial and monetary policies, in order better to create, mobilise and effectively use capital, and to strive to increase gross investment accumulation rate to around 25-30 per cent of the country's GDP," the resolution said.

Only two months ago, in his closing speech to the National Assembly, the country's rubber-stamp legislative body, Prime Minister Vo Van Kiet began his remarks by dwelling more on what the economy had failed to achieve than the usual glowing catalogue of achievements.

A Beijing resident at a photographic exhibition yesterday in honour of Deng Xiaoping Reuter

More oil losses as Lagos strike turmoil worsens

By Paul Adams in Lagos

Further losses in oil production and the continued closure of the main commercial banks yesterday hindered the plan by Nigeria's military regime to break the six-week oil industry strike and get the economy back to normal.

Anglo-Dutch Shell, which operates about half of the country's 2m b/d oil industry, announced yesterday the temporary closure of its Forcados terminal, which exports about 500,000 b/d. Shell has not disclosed how much of the other 500,000 b/d produced at its Bonny Terminal is lost because of political strikes by the two oil workers' unions, Nupeng and Pengassan, aimed at ending military rule and installing jailed opposition leader Mr Moshood Abiola as president.

But world oil prices, heavily influenced in recent weeks by events in Nigeria, fell sharply yesterday despite closure of the Forcados terminal. The price of the benchmark Brent Blend for October fell to $15.75 in late London trading yesterday, 60 cents down on its close last Friday.

Traders say the fact that Nigerian oil exports have been maintained despite production cuts associated with the strike has reduced market fears of supply shortages. World supplies of high-quality light crude oils, such as those produced in most Nigerian fields, are currently plentiful because of relatively high production levels in the North Sea.

Mr Don Etiebet, oil minister, said yesterday that many of the oil workers had reported to work after being ordered back to their jobs by the military ruler, Gen Sani Abacha.

Oil industry officials said, however, it was too early to assess if the strike had been broken.

The biggest refinery, Port Harcourt, closed more than a week ago. The next biggest, Warri, has not yet been restored after an overhaul begun in March and the smaller Kaduna refinery can produce little except fuel oil, of which there is a surplus since many factories are shut.

The closure for the past month of some of the banks is also causing the government concern. Mr Aminu Saleh, secretary to the government, warned banks yesterday that unless they opened by tomorrow he would "review their licences".

Instructions from the government to the four or five biggest commercial banks, with a wide network of branches throughout Lagos, failed to persuade them to open their doors to the public yesterday.

Many companies pay salaries through these banks and some employees have been unable to get their July pay. The big commercial banks, which were all privatised last year, hold most of the banks' deposits and if the government closed them it would paralyse the banking system.

The banks, which are not releasing cash to the public, took part yesterday in the latest auction of foreign exchange in which $100m will be sold to manufacturers and importers. The acute shortage of foreign currency in Nigeria has reduced the auctions from fortnightly to once a month.

Efforts to curb CO_2 emissions 'lagging'

By Frances Williams in Geneva

Efforts by the industrialised countries to stabilise their carbon dioxide emissions at present levels will have only a minor effect on the build-up of CO_2 concentrations in the earth's atmosphere and so on global warming, a leading climate change scientist warned yesterday.

Prof Bert Bolin, chairman of the Intergovernmental Panel on Climate Change (IPCC), said that even to stabilise CO_2 concentrations at twice present levels would require all countries, developed and developing, to cut emissions below 1990 levels.

Stabilisation at 1990 levels by the industrialised nations alone, in line with commitments under the United Nations climate change convention, would reduce accumulated emissions over the next century by less than 10 per cent. "This indicates that current commitments are not sufficient to stabilise atmospheric concentrations," Prof Bolin said.

He was addressing representatives of about 150 governments at the start of a meeting intended to prepare for the first ministerial conference on the climate change treaty in Berlin next spring.

One of the main issues the meeting must consider is whether to strengthen the treaty by proposing a new protocol restraining emissions of carbon dioxide and other greenhouse gases.

Berlin conference proposals for treaty amendments would have to be put forward by the end of September.

Australia drops plan to privatise shipping line

By Nikki Tait in Sydney

Australia's federal government yesterday ditched plans to privatise the Australian National Line (ANL), claiming the state-owned shipping line was in a poor financial state and would not attract any buyer interest.

Mr Laurie Brereton, transport minister, said the decision was supported by a private report, conducted by Salomon Brothers Australia and Price Waterhouse, for the government.

"I don't see privatisation as being in any way a realistic proposition either now or in the foreseeable (future)," he commented.

While ANL has been consistently loss-making in recent years, the move also has heavy political overtones.

The Labor government's current privatisation plans, which encompass the sale of the remaining 75 per cent stake in Qantas, the international airline, and the 22 Commonwealth airports run by the Federal Airports Corporation, have been coming under heavy attack from left-wing sections of the party.

This issue is widely expected to dominate the Australian Labor Party's national conference to be held in Hobart next month.

But by making concessions now over the ANL privatisation, the government may consider its prospects of pushing through the airports sale will be enhanced.

The government first mooted the sale of 49 per cent of the shipping line business in 1991.

Adoring press turns blind eye to Deng's birthday

By Tony Walker in Beijing

China's official media went into overdrive yesterday in praise of Mr Deng Xiaoping, the country's senior leader who turned 90; but nowhere in thousands of characters published about the ailing and reclusive Mr Deng was any mention made of his birthday.

People's Daily, the Communist party newspaper, led a chorus of praise in a front-page editorial which described Mr Deng as "the general designer of our country's socialist reforms, opening and construction of a modern society.

"We should read comrade Deng Xiaoping's works carefully, attentively and repeatedly," the paper said.

China's media gave more weight and prominence to Mr Deng's contribution to the country's reform effort this year than in previous years.

Western officials attributed this to a recognition that Mr Deng may not have much longer to live, and also to the fact of his having achieved the "round figure" of 90.

Mr Deng's remarkable life, which began in a remote county in China's south-west Sichuan province, spanned an era of great turbulence in Chinese history. As a leader of the communist revolution, he was at the centre of stirring events for more than half a century.

No mention was made in the Chinese press yesterday of Mr Deng's whereabouts on his birthday: it is assumed he is in Beijing since he is now too feeble to enjoy his favourite summer pastime of swimming in the sea at a beach resort east of the capital.

The blanket media coverage of Mr Deng's achievements, with its emphasis on his historical contribution, appeared to be preparing the ground for "canonisation" on his death as one of the giants of modern Chinese history.

"Our party's flag, having been inscribed with 'Marxism and Leninism' and 'Mao Zedong Thought', is now enhanced by 'Deng Xiaoping's theory of Building Socialism with Chinese characteristics'." People's Daily commented.

"The 19th century was the one during which the Chinese nation declined, the 20th century was one when the Chinese nation fought and strove and the 21st century will be the one when the Chinese nation will be revitalised fully," the paper added.

Apart from newspaper commentaries, Mr Deng's birthday was also marked by photographic exhibitions and examples of his calligraphy. China's senior leader may have been out of sight on his birthday, but the Chinese propaganda machine has not allowed him to be out of mind.

Ex-prisoner challenges HK election law

By Louise Lucas in Hong Kong

Mr Lau San-ching, a 41-year-old social worker, has thrown an embarrassing spanner into the workings of Hong Kong's first set of fully democratic elections.

Earlier this month his application to stand for the coming District Board Elections was rejected on the grounds that he was not "ordinarily resident" in Hong Kong for the 10 years preceding the election, as stipulated under the colony's electoral laws.

Mr Lau, who was yesterday granted leave to appeal against the returning officer's decision, spent much of the past 10 years in China as a political prisoner. His absence from Hong Kong was not voluntary, but puts him in the same category as those who have gone overseas to study or work.

In an open letter to Ms Anson Chan, acting governor during the absence of Mr Chris Patten, the governor, Mr Lau wrote: "It is not just a twist of fate that I found myself spending 10 of the best years of my life in a Chinese jail... Instead of following the trendy pursuit of money, power and fame, I discovered that my calling in life was in the establishment of democracy, respect for human rights, and restoration of law and order in China. It was with these objectives that I clashed with the Chinese authority; this eventually resulted in loss of my freedom for 10 years."

The government is adamant that the rule of law must apply. "We have rule of law here, and if people want to challenge that, we have an independent judiciary. Bureaucrats and politicians have to make decisions based on the law, taking legal advice where necessary, and that's what we have done in this case," a government official said.

Further, the government believes that even assuming any amendments to the electoral laws were necessary, these should not be made while an election is going on as that would be unfair: any change will bring potential losers as well as potential gainers.

The appeal hearing on Friday may change that: yesterday's leave to appeal was supplemented with a pledge to do everything to put Mr Lau's candidature on a level footing with his fellow contestants, who will have a head start in their campaigning.

Mr Lau's lawyers are arguing over the interpretation of "ordinarily resident". During his involuntary stay in China, he kept his home address in Hong Kong; he did not rent a flat or take a hotel room in China; and he returned to Hong Kong immediately on his release.

His lawyers will claim the residency rule is against the Bill of Rights, which grants every permanent resident the right and opportunity of access to public service in Hong Kong without distinction on the basis of race, sex, political opinion or any other prejudice.

They will also attempt to prove a more complex legal point – that those who drafted the residency clause did not have legal power to make such a requirement. There is no such requirement in Britain.

The district board elections, on September 18, will mark the first time all 346 seats go up for direct election.

INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−164.5	0.7623	100.0
1986	230.9	−140.8	−153.7	0.9836	80.2
1987	220.2	−131.8	−144.8	1.1541	70.3
1988	272.5	−100.2	−106.3	1.1833	66.0
1989	330.2	−99.3	−83.3	1.1017	69.4
1990	309.0	−79.3	−72.0	1.2745	65.1
1991	340.5	−53.5	−5.6	1.2391	64.5
1992	345.9	−65.2	−52.4	1.2957	62.9
1993	397.3	−98.7	−89.8	1.1705	65.6
3rd qtr.1993	99.6	−27.5	−24.3	1.1443	65.4
4th qtr.1993	108.9	−25.0	−26.9	1.1388	66.4
1st qtr.1994	106.9	−28.9	−28.4	1.1244	66.8
2nd qtr.1994	107.7	−32.8		1.1605	65.3
July 1993	32.8	−9.6	n.a.	1.1349	65.9
August	33.9	−8.9	n.a.	1.1251	65.7
September	32.9	−9.0	n.a.	1.1728	64.7
October	34.5	−9.3	n.a.	1.1597	65.5
November	35.5	−8.8	n.a.	1.1282	66.8
December	36.9	−6.9	n.a.	1.1287	67.0
January 1994	35.2	−9.7	n.a.	1.1139	67.5
February	34.1	−10.8	n.a.	1.1184	66.7
March	37.5	−8.4	n.a.	1.1410	66.1
April	36.1	−10.6	n.a.	1.1385	66.0
May	35.4	−11.1	n.a.	1.1622	65.3
June	36.2	−11.2	n.a.	1.1806	64.6

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.6	76.0	64.5	180.60	100.0
1986	211.1	98.2	87.0	165.11	124.4
1987	197.3	88.1	75.3	166.58	133.2
1988	219.8	80.7	65.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.9
1990	220.0	50.1	28.2	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	90.0	164.05	142.9
1993	300.0	120.9	111.2	130.31	173.8
3rd qtr.1993	79.1	32.2	28.2	120.89	183.7
4th qtr.1993	75.6	30.3	26.9	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.6	29.5	119.84	187.1
July 1993	26.7	11.3	9.7	122.24	181.1
August	26.5	10.3	9.1	116.79	186.2
September	25.9	10.7	9.4	123.63	181.8
October	24.8	9.8	8.9	124.03	180.4
November	25.1	9.9	8.8	121.68	181.8
December	25.7	10.6	9.2	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	118.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	8.6	120.67	186.2
June	28.0	10.8	9.9	121.06	186.8

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*248.3*	*53.3*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.6*	*39.8*	*2.0710*	*115.3*
1988	*272.5*	*61.5*	*42.9*	*2.0739*	*114.6*
1989	*310.3*	*65.3*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.5	38.9	2.0537	119.1
1991	327.4	11.2	−15.7	2.0480	117.7
1992	330.6	16.8	−17.0	2.0187	121.2
1993	323.0	30.8	−17.1	1.9337	124.6
3rd qtr.1993	81.0	5.7	−9.0	1.9180	123.9
4th qtr.1993	82.7	9.5	−5.3	1.9161	124.8
1st qtr.1994	79.8	8.5	−4.6	1.9370	122.4
2nd qtr.1994				1.9276	123.5
July 1993	26.0	2.3	−3.9	1.9463	122.0
August	27.5	1.5	−3.5	1.9081	123.6
September	27.5	1.9	−1.6	1.8996	126.1
October	27.7	3.6	−2.7	1.8995	126.2
November	27.8	2.7	−0.9	1.9182	124.5
December	27.2	3.3	−1.6	1.9306	123.7
January 1994	25.9	3.3	−1.3	1.9415	122.2
February	27.2	3.0	−2.5	1.9397	121.8
March	26.7	2.2	−0.7	1.9299	123.2
April	29.2	5.1	−0.5	1.9335	122.8
May	30.6	2.8	−3.0	1.9265	123.5
June				1.9228	124.3

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.5	4.8	2.9	6.8420	106.0
1993	177.8	13.9	8.9	6.6281	108.3
3rd qtr.1993	45.0	3.9	3.5	6.6506	106.4
4th qtr.1993	45.8	4.5	3.5	6.6431	107.3
1st qtr.1994	46.1	2.4	2.3	6.5881	108.0
2nd qtr.1994				6.5967	108.0
July 1993	15.1	1.57	1.27	6.6299	107.0
August	14.6	0.74	1.27	6.6781	105.3
September	15.4	1.52	1.00	6.6485	107.0
October	15.0	1.32	1.17	6.6631	106.9
November	15.0	1.15	0.02	6.6837	106.8
December	15.9	2.03	2.38	6.6025	108.2
January 1994	15.1	0.30	2.44	6.5856	107.9
February	15.0	0.73	−0.64	6.5905	107.6
March	15.5	1.38	0.51	6.6782	108.3
April	15.7	1.18	0.07	6.6240	107.1
May	16.3	1.15		6.5972	107.9
June				6.5688	108.8

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.8	−9.3	−18.0	1523.2	100.8
1991	137.0	−10.5	−17.7	1531.3	98.9
1992	137.9	−8.0	−20.6	1591.5	95.7
1993	144.3	17.9	6.2	1836.7	79.6
3rd qtr.1993	34.2	6.1	3.2	1813.0	79.8
4th qtr.1993	40.9	7.1	3.9	1879.6	77.0
1st qtr.1994				1892.6	78.2
2nd qtr.1994				1861.2	77.8
July 1993	14.7	4.4	2.6	1796.5	80.8
August	7.6	0.8	0.3	1804.2	79.7
September	12.0	0.9	0.1	1838.0	78.9
October	13.2	2.3	2.0	1854.9	78.2
November	12.4	1.7	1.6	1880.7	77.0
December	15.2	3.1	0.4	1903.8	76.1
January 1994	10.2	0.1	−0.7	1892.5	76.2
February	12.8	1.6		1893.9	78.4
March				1901.9	75.9
April				1850.1	78.0
May				1852.9	78.2
June				1880.5	77.1

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	106.3	−14.2	−1.3	0.6708	91.6
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.6
1990	142.3	−26.3	−25.6	0.7150	91.3
1991	147.7	−14.7	−10.9	0.7002	91.7
1992	145.9	−18.2	−14.3	0.7359	88.4
1993	156.1	−17.0	−13.7	0.7780	80.2
3rd qtr.1993	40.2	−4.1	−2.6	0.7605	81.0
4th qtr.1993	40.6	−4.4	−2.4	0.7635	81.1
1st qtr.1994	42.4	−3.9	−0.7	0.7554	81.3
2nd qtr.1994				0.7716	80.0
July 1993	13.1	−1.8	n.a.	0.7585	81.3
August	13.8	−0.5	n.a.	0.7545	81.0
September	13.3	−1.8	n.a.	0.7685	80.8
October	13.6	−1.1	n.a.	0.7712	80.4
November	13.3	−1.6	n.a.	0.7620	81.0
December	13.6	−1.7	n.a.	0.7573	81.7
January 1994	14.4	−1.2	n.a.	0.7456	82.4
February	14.1	−1.2	n.a.	0.7557	81.0
March	14.0	−1.5	n.a.	0.7649	80.5
April	14.3	−1.0	n.a.	0.7673	80.0
May	14.1	−1.3	n.a.	0.7733	79.9
June			n.a.	0.7741	80.1

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 23 1994

IN BRIEF

Walt Disney joins satellite venture

Walt Disney yesterday announced its first significant new media investment in Europe – a joint venture with CLT Multi Media, the Luxembourg-based international broadcaster. The two groups plan to launch a German satellite television channel specialising in family entertainment in January. Page 16

CME seeks strength
The Chicago Mercantile Exchange is close to making a fundamental shift in governance that for the first time would give its member banks and other financial traders a free hand in guiding its future. Page 16

Banesto sees 'positive' result
Banco Español de Crédito (Banesto) yesterday attempted to reassure shareholders it was on a stable footing, eight months after a summary intervention by the Bank of Spain. Page 16

Repsol ahead at Pta79.85bn
Repsol, the main Spanish oil group, reported a 15 per cent increase in pre-tax profits for the first half of the year to Pta79.85bn ($614m) compared with Pta65.61bn at the same stage last year. Page 16

Brazil's airlines plan defence
Brazil's three main airlines are cutting costs and seeking international alliances in a drive to counter the harsh economic environment. The carriers have been hit by weak demand and pressure on revenues through increased domestic competition.
Page 17

Goodman sets date for showdown
Goodman Fielder, the beleaguered Australian food company, yesterday said it would hold an extraordinary general meeting on October 13, at which shareholders would be able to vote on boardroom changes. Unhappy investors are recommending the reappointment of two executive directors at Goodman. Page 18

BHP secures Chinese exploration deal
Broken Hill Proprietary, the Australian steel and resources group, said yesterday it had signed an agreement with the China National Offshore Oil Corporation, to explore for oil and gas in the Pearl River Basin. Page 18

MTM plans £16.7m expansion
MTM, the chemicals company which almost collapsed two years ago, yesterday announced details of a new acquisition strategy aimed at rebuilding the group. It is planning to spend up to £16.7m ($25.7m) to establish three or four core businesses.
Page 20

Meyer shake-out continues
The management shake-out at Meyer International is continuing with the announcement yesterday that Mr Richard Reynolds is resigning as chairman and managing director of Jewson, Britain's biggest builders' merchants chain and the company's largest subsidiary. Page 20

Hibernian reports first-half loss
Hibernian Group, the third largest insurance company in the Irish Republic, reported a pre-tax loss of I£6.24m ($9.48m) for the first six months of 1994, against restated profits of I£31.5m. Page 20

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
BASF	319.6	–	6.9
BMW	817	–	15.5
Deutsche Bank	684.5	–	12.2
KHD	125.8	–	3.2
Lufthansa	209	–	5.6
Schering	876	–	23

NEW YORK ($)

Rises			
Cheyenne	11⅝	+	1⅜
Neutrogena	34¾	+	6
SFM Corp	28¼	+	3⅝
Falls			
Lilley (Eli)	55⅝	–	1½
Novell	30⅛	–	1⅛
United Tech	60¼	–	1⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Elf Sanofi	185	+	6.9
Falls			
Accor	655	–	11
Air Liquide	785	–	21
AXA	244.3	–	8.2
Cred Fonc	825	–	37
St Gobain	674	–	13

TOKYO (Yen)

Falls			
Aoyama Trading	3620	–	160
Ibara Chemical	1230	–	50
Kawasaki Kisen	375	–	12
Nihon Packzing	761	–	29
Npn Light Metal	747	–	24
Toshiba	743	–	21

LONDON (Pence)

Rises			
BDA	29¼	+	2¼
Caffyns	375	+	35
Charter	770	+	15
Coal Invs	118	+	9
French Conn	225	+	10
Hozmocell	43	+	3
Hi-Tec	85	+	7
MTM	84	+	6
Phonelink	262	+	7
Plantsbrook	175	+	12
Schroders	1440	+	30
Sheriff Hldgs	351	+	10
Virtuality	217	+	10
Waddington (J)	228	+	8
Welsh Water	683	+	20
Falls			
BAT Inds	418	–	7
Betterware	78	–	5
Body Shop	229	–	7
Eurotunnel	290	–	14
GEC	294	–	8
Granada	502	–	13
Northern Foods	216	–	7
Tiphook	32	–	3
Wolseley Grp	804	–	18

Citic Pacific rises 46% at interim

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong-listed arm of the Beijing foreign investment company, Citic, yesterday topped market expectations when it announced a 46 per cent surge in net profits to HK$1.2bn (US$155m) for the first half of 1994, up from HK$802m.

In April, the group issued HK$3.82bn of shares, partially to finance tunnel and property acquisitions. As a result earnings per share rose by a more modest 30 per cent to 62.3 cents compared with 47.8 cents last year.

Turnover crept up 5 per cent to HK$6.5bn. Shareholders are to receive a dividend of 13 cents a share, up 3 cents.

Profits were lifted by the group's long-term investments. Citic holds 12 per cent of Hongkong Telecom, the colony's monopoly supplier of fixed-line services, and 12.5 per cent of Cathay Pacific, the international airline which last week announced an 18 per cent rise in earnings.

It is the first time a full six months' contribution has come in from Hongkong Telecom at the interim stage.

Dragonair, the Asian airline in which Citic has a 46 per cent stake, made progress as additional flights were added to main destinations.

Citic Pacific

Share price relative to the Hang Seng Index (Jan 1991=100)

Source: Datastream

Contrary to market expectations of a sluggish year for its motor trading business, Mr Larry Yung, chairman, said margins were maintained at last year's levels, assisted by big sales in Honda which was the best selling brand in the Hong Kong market in the first half.

Citic has recently acquired for HK$3.4bn a 50 per cent stake in Discovery Bay, a self-contained community on one of Hong Kong's outlying islands. Mr Yung said an application had been made by co-owner Hong Kong Resort Company, to the government, to build additional floor area, a new pier and a tunnel linking Discovery Bay to the airport road system.

"Directors of Citic Pacific will be actively involved in discussions with the government on this matter which is of considerable strategic importance," he said.

On infrastructure, an important thrust of Citic's strategy in the years ahead, the first two 350MW generators of its 56 per cent-owned Ligang Power Station are now fully operational. Installation of the next two generators is planned to start shortly, with completion of the first scheduled for late 1997.

Citic has invested in a 25 per cent interest in Phase I of the Pudong Power Station with four 300MW generators, the first of which is expected to start commercial operation by the end of next year.

Mr Yung forecast that full-year earnings would show a "substantial increase" on 1993.

Chairman says cost-cutting and foreign expansion will assist return to profit

Mannesmann cuts first-half loss to DM27m

By Christopher Parkes in Frankfurt

Economic recovery, restructuring and the first trickle of profits from its new telecommunications division reduced Mannesmann's first-half losses to DM27m ($17.6m), from DM467m.

Forecasting a return to profit for the full year after a 1993 deficit of DM513m, Mr Joachim Funk, chairman, said yesterday that more cost-cutting was needed and the group planned to expand foreign manufacturing "rapidly".

"The economic recovery does not mean Germany's structural problems are resolved," he said in a letter to the workforce and shareholders. In the light of international price pressures, German costs were still too high.

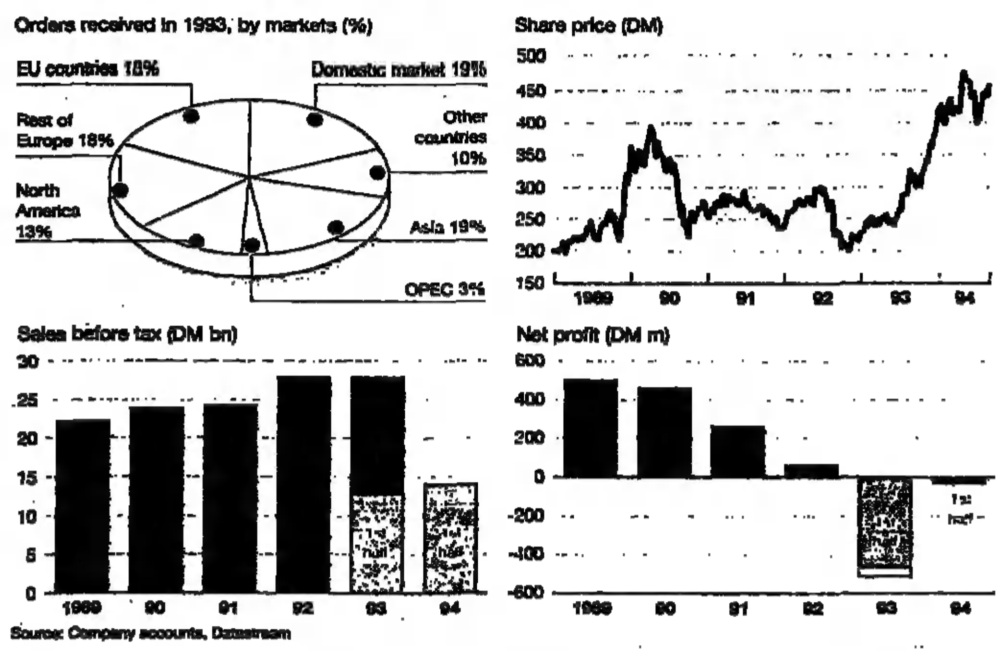
Total capital spending of DM761m was 6 per cent higher than in the first six months of last year. The domestic share fell 3 per cent, while investment abroad was up 50 per cent.

The group reported a 12 per cent rise in exports to DM4.7bn and a 17 per cent jump in turnover to DM4.7bn at foreign subsidiaries. Group sales increased 10 per cent to DM14.2bn.

The reduction in losses was helped by unspecified first-time profits from the D2 mobile telephone network, which incurred a DM240m deficit last year after launch costs. The network had 680,000 subscribers at the end of June, compared with 300,000 a year earlier, and a further 20,000 were signed up in July.

Although no details were given, restructuring costs were also likely to be markedly lower than last year, when heavy redundancy and early retirement payments boosted the annual total to DM515m.

Mannesmann turns the corner



Source: Company accounts, Datastream

Vehicle components and trading activities returned to the black. Tubes manufacture broke even in the review period, while core heavy engineering and the relatively small electrical business were still making losses.

Although the value of plant construction contracts was down, group-wide incoming orders rose 19 per cent to almost DM17bn. Recovery in the international automotive industry pushed sales up 10 per cent while new orders rose 18 per cent.

Continuing job cuts in all divisions except telecoms and trade had reduced the workforce by 4 per cent and personnel costs were unchanged at DM4.8bn.

Lex, Page 14

LDDS buys slice of US long-distance calls

By Patrick Harverson in New York

Williams Companies, the Oklahoma-based gas pipeline operator, has agreed to sell its WilTel long-distance telephone business for $2.5bn to LDDS, the acquisitive US telecommunications group.

Three months ago Williams rejected LDDS's initial bid of $2bn but yesterday Mr Keith Bailey, the company's chairman, said the revised offer from LDDS represented a "full and fair value" for WilTel.

The takeover, subject to regulatory approval, will create a long-distance carrier in the US with the size to compete with AT&T, MCI and Sprint, the three dominant operators in the industry. On completion, LDDS will control about 4 per cent of the $65bn US long-distance market, compared with a 10 per cent share for Sprint, 20 per cent for MCI, and 60 per cent for AT&T.

The deal is part of a gradual consolidation of the US telecoms industry, which is undergoing radical change due to the blurring of boundaries between long-distance and local carriers, and between the sector and the cable television and computer industries.

LDDS said it had secured $3.25bn in bank loans from a syndicate, led by NationsBank of North Carolina, to pay for the all-cash acquisition of WilTel and to fund a refinancing of some existing debt.

The purchase of WilTel is the second big deal completed by LDDS this month. Three weeks ago it agreed to buy IDB Communications of California, a national satellite-based phone carrier, for $885m.

Based in Mississippi, LDDS buys access to long-distance lines in bulk and resells the access at a profit. With revenues of $1.14bn last year, it has the fourth largest long-distance customer base in the US, and specialises in serving small to medium-sized businesses, mainly in the south-east, south-west and Midwest.

WilTel, which provides companies and other phone carriers with voice and data transmission services via its 11,000-mile advanced national fibre optic network, specialises in the same area of the business market. Last year, WilTel reported an operating profit of $89.7m on revenues of $958m.

Williams expected to realise an after-tax gain of $850m from the sale and would probably use the proceeds to invest in the energy business. It also plans to buy back up to $800m of its own stock.

Charter raises bid to win over Esab's dissident investors

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, yesterday broke the deadlock in its stalled bid for Esab, the world's leading welding equipment supplier, raising its bid by £26m to £286m ($440m) and winning the acceptance of the key Swedish institutional shareholders that had rejected the original offer.

The move brought to 84 per cent the share of Esab's capital and voting rights pledged to Charter and is almost certain to ensure the UK company wins the 90 per cent acceptances it needs to achieve a complete takeover. Charter made the new bid of SKr380 per A and B share, up from the original bid of SKr345, unconditional.

The first offer, made at the end of June, was recommended by the Esab board and accepted by Incentive, the Wallenberg family industrial group that is Esab's controlling shareholder. But it was blocked when five institutions holding some 20 per cent of the voting capital rejected it as underpriced following a sharp rise in the Esab share price to as much as SKr365 and a big increase in the company's profits forecast.

Charter, with 54 per cent of Esab secured, initially baulked at raising an offer which had initially represented a 20 per cent premium to the market price. But Mr Jeffrey Herbert, Charter's chief executive, said yesterday it was not satisfied with a simple majority shareholding. "At the end of the day we are far happier with 100 per cent ownership. That is why I have increased the offer – and the performance of the business has fully justified the offer we have now made."

The new deal was worked out last week between Charter and the 4th Fund, a state pension fund which was the biggest shareholder after Incentive. Five other leading institutions also accepted the new terms.

Charter, which is also assuming £130m in debt, will part-fund the deal through a £93m one-for-four rights issue at 560p per Charter share.

All Esab shareholders will benefit from the new offer, adding SKr150m to the SKr1.3bn Incentive will receive for its 48 per cent stake. The acquisition of Esab, which had a turnover in 1993 of SKr7bn, will more than double Charter's size and add a fourth leg to its interests in building materials, coal and rail track equipment.

Trade unions at Esab campaigned against Charter, portraying it as a foreign predator that would run down Esab's operations in Sweden. But Mr Herbert said yesterday Charter intended to keep the present management in place. "Esab is becoming part of a group that is used to running international businesses and which in the last four years has invested £150m in growing businesses," he said.

Pillar marks debut with £60m spree

By Simon Davies in London

Pillar Property Investments, which started trading in London only eight days ago, has lined up £60m of acquisitions including a Northampton shopping centre and the office complex that houses the Mermaid Theatre, in London's Blackfriars district.

The management – which built up Arlington Securities, sold to British Aerospace in 1989 – came into Pillar in May.

Pillar is paying £28.5m to Provident Mutual for the 254,000 sq ft shopping centre. However, the Provident Mutual can withdraw if Pillar does not also complete the purchase of the Blackfriars properties by August 26 for about £30m.

Pillar would acquire the long lease on two office blocks at Numbers 1 and 2 Puddle Dock, occupied by KPMG Peat Marwick and Touche Remnant. It would also buy a sub-lease over the Mermaid Theatre.

Redevelopment of Puddle Dock would be complicated by the Mermaid. The City of London holds the freehold interest in the properties, while Gomba Holdings, owned by the Shamji family, has a long-term "pepper-corn lease" on the unoccupied theatre. Mr Mould said Pillar had the option to redevelop on top of it, or could reach an arrangement with the Shamji family and the City of London involving relocation. The site is on the fringe of the City and would have to compete for tenants with other redevelopment projects, including Greycoat's Paternoster project in St Paul's.

The shopping project is being injected into Pillar's £250m joint-venture retail property fund with Canada's largest public pension fund, Caisse de Depot et Placement du Quebec.

SCI lifts stake in UK burier

By Simon Davies in London

Service Corporation International yesterday more than doubled its "strategic" stake in Britain's second largest funeral business, Plantsbrook, to 8.4 per cent, and said it intended to buy more.

Mr Peter Hindley, Plantsbrook's chief executive, said he had received no communication from SCI, but commented: "I doubt whether they would want to be a long-term passive shareholder; that's not their style."

SCI, North America's largest burial company, sent shockwaves through the sombre world of UK undertaking this summer. It launched and won a hostile bid for Great Southern Group and followed this up 11 days ago with the purchase of a 2.9 per cent stake in Great Southern's largest listed competitor.

In the Great Southern bid, SCI took on the Field family, which controlled 56 per cent of the company. Plantsbrook also presents a formidable hurdle in the form of France's largest burier, Pompes Funèbres, which owns 46 per cent.

Mr Hindley said: "The French have said they are happy with Plantsbrook and it has become a large part of their business."

But with deregulation of the French funeral industry affecting its market share, Pompes Funèbres faces some difficulties at home.

Plantsbrook's share price rose 12p to 175p yesterday, compared with 100p prior to SCI's expression of interest, providing the French with an option to sell for a substantial profit. It is understood that SCI has spoken to Pompes Funèbres.

There is little geographical overlap between Great Southern and Plantsbrook. If the latter were acquired, SCI would have a UK market share of close to 15 per cent.

However, the purchase of Plantsbrook's Dignity in Destiny, a scheme for pre-payment for burials, would give SCI a large part of the so-called "pre-need" market, due to the pre-eminence of Great Southern's Chosen Heritage plan. This might result in the bid being referred to the UK Monopolies and Mergers Commission.

SCI also announced yesterday that all investors who sold shares in Great Southern on August 2 and 3 could apply for compensation – due to an error in an offer announcement – by submitting claims to its brokers, Cazenove, by September 17.

Option of breaking with the old ways

Damian Fraser assesses the Mexican election victor's scope to curb the ruling party's powerful role

MEXICAN ELECTIONS

After his convincing victory in the Mexican presidential election on Sunday, Mr Ernesto Zedillo now faces the daunting task of preparing, in little more than three months, for a presidency that is to stretch from December 1 until near the end of the year 2000. Officials close to Mr Zedillo indicate that he will concentrate on three broad areas until December – improving relations with the opposition, setting in motion the reform of the governing Institutional Revolutionary Party, and establishing policies and picking ministers for the next administration.

None of the three will be easy. The opposition is bitterly disappointed at the results, and angry with a political system that strongly favours the ruling party. Previous attempts to reform the PRI have all failed, with the party apparently more resistant to change than any other institution in Mexico. Also, many of the reforms Mr Zedillo has pledged – overhauling the legal system, modernising the police, among others – touch some of the most powerful and vested interests in the country.

But he will have some advantages. The election results reveal a depth of support for the PRI, even in a difficult political year for the party, and indicate broad if not enthusiastic endorsement for the way the country has been managed by President Carlos Salinas since 1988. With reports of electoral irregulariites limited, Mr Zedillo can claim a democratic mandate for his policies.

The immediate issue is to heal the wounds that the long and often bitter campaign generated.

Mr Cuauhtémoc Cárdenas of the leftist opposition and Mr Diego Fernández de Cevallos of the centre-right opposition have both sharply criticised the manner of Mr Zedillo's victory. They claim that the seemingly unlimited spending of the ruling party, the biased media coverage of the campaign, and support from the government indicate an unwillingness by the PRI to embrace democracy.

Mr Cárdenas is Mr Zedillo's most immediate threat, although the former's poor showing in the poll, and perception that irregularities were isolated, weakens his ability to protest. Yesterday, Mr Cárdenas called his supporters into Mexico City's main square, with his party claiming widespread irregularities in the elections.

However, even Mr Fernández – whose National Action party has generally supported the PRI – withheld a full endorsement of Mr Zedillo's victory yesterday morning, attacking what Mr Fernández called a "profoundly iniquitous and profoundly unjust" political system.

Mr Zedillo, in his victory speech, made conciliatory gestures. He asked his opponents to "emphasise what we have in common, without sacrificing differences." He told foreign correspondents late on Sunday: "My responsibility is not only for those who voted for the PRI but those who voted for other parties. Today, Mexico has a great opportunity to have an important agreement among all the political parties."

It is still unclear what such an agreement might entail. Many people are so sceptical about the PRI that they will not believe Mr Zedillo until he makes specific concessions to the opposition. Mr Enrique Krauze, a prominent historian, said Mr Zedillo "should interpret the election as a mandate to change the system from within." But, given his way of campaigning and previous record in government, "we have not had the slightest sign that makes us think he is willing to do this."

Mr Zedillo may choose some members of the opposition to join his cabinet as a way to win their support. A plural cabinet would certainly fit with his pledge to represent all of Mexico, not just the PRI. But it remains to be seen what, if any, positions Mr Zedillo offers – more important, the opposition response is also awaited.

Mr Zedillo's pledge to reform the PRI will almost certainly form part of his attempts to forge relations with the opposition. In remarkably direct language, Mr Zedillo promised in the campaign to separate the PRI from the government, not to interfere in the ruling party when in office, and to propose democratic methods for the party to pick its candidates.

Over the next three months, Mr Zedillo and his associates are likely to set out the broad outlines of internal party reforms, rather than make final decisions, according to Mr Jesús Reyes Heroles, a respected economist who, as the new head of the PRI's ideology commission, is expected to play a key role in drawing up the new policies. He said the reforms would have to be discussed extensively with the party rank-and-file, and agreed by them before being implemented.

Other Zedillo associates accept the difficulty of pushing through such reforms, which have always failed in the past. President Carlos Salinas briefly experimented with internal primaries for some offices, before abandoning this after they had caused bitter divisions in the party. He seemed mainly to benefit the party old guard, who are generally well organised to get out the vote.

Giving up the power of patronage would seriously weaken Mr Zedillo, who would be giving up the traditional mechanism through which the Mexican president keeps control of party officials and ensures their unwavering loyalty. For this reason, some are doubtful that Mr Zedillo will carry through the reforms, and others are worried that, if he does, he will find it more difficult to govern the country.

Mr Zedillo's policies in government are likely to reduce his presidential powers still further. According to officials, his administration will begin by implementing reforms of the police and of the judicial system to make them both more independent of the executive and more professional; and will introduce policies to devolve more powers to state and municipal governments. There are high expectations that Congress will play a bigger role in scrutinising legislation in the next administration than in the past.

On the economy, Mr Zedillo will work hard with the current government to ensure a smooth transition. Aides say that they will try to ensure that public spending priorities for next year are agreed with the current administration over the next few months. Mr Zedillo has promised an increase in public investment of 25 per cent for next year, in an effort to enhance economic growth.

The country's poll results are still a source of political controversy, writes Stephen Fidler

Salinas hails 'clean' election

We want to vote: Mexicans protest at the door of the electoral authority after a lack of ballot papers denied them a vote Picture: Reuter

The final judgment on the probity of Mexico's presidential and congressional elections is yet to emerge, but Mexico's two main opposition parties will enter a period of reflection, if not crisis, as a result.

The government of President Carlos Salinas declared itself satisfied with the cleanliness of the elections.

"We see the complaints as more or less isolated incidents that will need to be looked into but which wouldn't have affected the outcome of the elections," said a spokesman.

Others offered a more negative view. Mr Sergio Aguayo, head of Civic Alliance, a group of non-government organisations and individuals which observed the election, said yesterday: "I want to announce that the quality of the election is in question." He added: "Before proclaiming triumphs and losses, the legitimacy of the elections must be determined."

Despite the advances made in the Mexican electoral process, the elections are still a source of political controversy and agreement does not yet exist on the rules of the electoral game.

Electoral difficulties fall into three main areas:

■ Before polling day. These issues were summed up in a report published this month by the Carter Centre of Emory University in Atlanta. "An uneven playing field which limits the ability of all political parties to compete equitably remains of significant concern, especially regarding the continuing bias of media coverage, the high cost of advertising, campaign spending limits beyond the reach of any party except the PRI, and great disparities in financial resources."

Independent citizen magistrates appointed to oversee the elections have also criticised slow processing of complaints – most against the ruling Institutional Revolutionary Party (PRI) – about breaches in the electoral law

■ Voting itself. The possibility of padding the electoral roll with dead or non-existent people – common in the past – is now small, according to the Carter Centre, but it said an independent audit did not address the issue of disenfranchisement of those who believed they were on the roll.

On the day, the main problem surrounded special polling stations, where those away from home or not on the polling station lists could vote. The number of ballot papers in each of these stations was limited to 300, as part of an agreement among all the parties to try to prevent double voting. The question being asked by the opposition Party of Democratic Revolution and others is why were so many people on the electoral roll not on the lists of their local polling stations – forcing them to vote elsewhere.

Civic Alliance also reported that preliminary assessments suggested some 20 per cent of polling stations allowed voting by people not on the electoral list, and some 9 per cent allowed voting by people who had already voted. Some foreign observers travelling in the countryside around Mexico City reported that in some areas there was PRI intimidation of voters

■ Fraudulent counting. This appears to have been much more difficult than in the past, in part because large discrepancies between exit polls and quick counts – from polling stations where voting had been observed – would have shown up attempts at centralised fraud.

The leader of the PRD, Mr Cuauhtémoc Cárdenas, called on his supporters to meet in town and city squares around the country at midday yesterday, and these were expected to turn into protests against fraud. The government said it was expecting "peaceful demonstrations" with the armed forces under orders not to provoke confrontations.

However, it was thought that the ability of Mr Cárdenas to generate widespread protest would be undermined by his relatively poor showing in the election results. Mr Cárdenas claims he was deprived on the presidency by fraud in the 1988 elections and 1994 is likely to be his last chance at the presidency.

Particularly if the protests do not prove decisive, the left is likely to undergo a period of self-examination. Mr Cárdenas had started the campaign by moving towards the centre, but towards the end of the campaign his speeches once again veered to the left.

For the right-leaning National Action Party (PAN), the result it obtained would even six months ago have been considered a triumph. The one televised debate among the candidates propelled its candidate Mr Diego Fernández de Cevallos into serious contention for a time. However, there was disappointment in party ranks at the result and a debate seems likely to ensue about the extent to which the PAN – in the past six years, highly supportive of the ruling party – should continue to co-operate with and be identified with the PRI.

For now, however, both main opposition parties are left dependent more or less on the goodwill of the ruling party to engage them more fully in Mexican politics. They would have preferred less of a decisive victory for the ruling party to give them a stronger bargaining position.

Evolution of the ruling political machine

PRI

1928 President-elect Alvaro Obregón murdered, preparing way for creation of new party that would accommodate different political interests

1929 National Revolutionary Party (PNR), precursor of the Institutional Revolutionary Party (PRI), founded by Plutarco Calles, Mexico's political strongman known as the *Jefe Máximo*: membership virtually compulsory for all members of government, Congress, army and civil servants

1934 Lazaro Cardenas elected president, expropriates oil companies, carries out sweeping agrarian reform, becomes a nationalist hero

1938 Cardenas renames PNR the Party of Mexican Revolution, organises it into four corporatist sectors – agrarian, professional, labour, military – turning it into an effective political machine

1946 PNR renamed Institutional Revolutionary Party (PRI) with military sector abolished; Miguel Alemán becomes president, spearheads economic modernisation, backing pro-business policies and encouraging foreign investment; he represents clear break from past revolutionaries, hence decision to make the Revolution "Institutional"

1968 Tlatelolco massacre: several hundred students and supporters protesting for political reform massacred by army in government crackdown, shattering two decades of relative social peace, ending Mexico's so-called post-war miracle

1976 Peso devalued for first time since 1954 after nationalist economic model followed by President Luis Echeverria leads to rising inflation, budget deficits, large-scale capital flight

1982 Mexico defaults on foreign debt obligations after fall in oil prices, setting off Latin American debt crisis and economic turmoil in Mexico

1986 Mexico joins GATT, as PRI leadership accepts free trade, privatisations of state-owned companies and other pro-market structural reforms

1988 Cuauhtémoc Cárdenas, son of Lázaro, breaks from ruling party to provide first serious challenge in presidential elections, winning 30 per cent of vote in elections marred by fraud; incoming President Carlos Salinas declares era of one-party rule is over

1994 PRI presidential candidate, Luis Donaldo Colosio, killed at campaign rally, the first such assassination since the murder of Alvaro Obregón; PRI wins, with its new presidential candidate, Ernesto Zedillo, promising to democratise party structures

Stocks rise but caution sounded

By Ted Bardacke in Mexico City

RESULTS*

Population: 85m

Electorate: 45.7m

Party	% of vote
Institutional Revolutionary party (PRI)	47.14
National Action party (PAN)	31.35
Party of Democratic Revolution (PRD)	15.49
Others	6.02

* Preliminary results based on 15 per cent of votes counted

Mexican stocks surged an initial 1.6 per cent to a new six-month high in early trading yesterday in the wake of the ruling party's election victory. By mid-morning the IPC index was up 32.76, or 1.21 per cent, to 2,740.94. The peso also appreciated significantly against the dollar.

However, analysts said that, because many investors had already bet heavily on this outcome in the weeks before the election, profit-taking was likely over the next few days.

"There is no question that people are buying... and that there is a general influx of capital into the market. But profit-taking may obscure the market's fundamental long-term strength," said Mr Chris Luft, lead trader with Marvin & Palmer, US money manager.

Those investors who have been valuing the market higher on the basis of political events are expected to be the most cautious between now and Mr Ernesto Zedillo's expected inauguration on December 1.

The strength of demonstrations called for by leftist leader Mr Cuauhtémoc Cárdenas, who finished a distant third in the election but is crying foul, and the final judgment of the election process by independent observer groups, are just two of the many political uncertainties the market will have to account for.

"There is likely to be as much negative political news as positive in the next months. The dedicated guys are going to be very cautious... but that will be offset by those who are not playing politics" and just reacting to the good news, said Mr Robert J Pelosky, director of Latin American research and strategy at Morgan Stanley in New York.

Mr Pelosky said the market's leading indicator needed to "rest and gather strength" around the current level of 2,700 points before surging to the expected 3,000-mark towards the end of the year.

The market rally is likely to be upheld by Mexican investors who "are a little more relieved, as they were not as optimistic [before the elections] as the foreigners," according to Mr Felix Boni, director of research at the Mexican brokerage Interacciones. Mr Boni cited the low turnout for Mr Cárdenas as a factor not yet been completely discounted by the market.

Mr Zedillo's presidential victory also increases the likelihood that Mexico will receive an investment-grade rating, although there is "no rush," according to one credit-risk analyst. "Let Zedillo get inaugurated and form a government. Then we ought to be able to go ahead," he said.

An investment-grade rating from the likes of Moody's and Standard & Poors is considered key for the infrastructure drive Mr Zedillo has promised, as it would lower the price of a slew of government bonds expected to be issued in the early days of a new government by the country's development banks and agencies.

Tempers fray as members yearn for a break

Senate puts off vote on Clinton crime bill

By George Graham in Washington

Leaders in the US Senate had to put off any vote on the administration's crime bill yesterday, but at least began debate on the measure.

On Sunday night, the House of Representatives had voted to pass a slimmed-down bill with somewhat less money for crime prevention programmes than the White House wanted.

Some opponents of the legislation, led by Republican Senator Orrin Hatch of Utah, were still threatening to use the kind of obstructive procedural tactics that held the bill up in the House for two weeks.

Mr Leon Panetta, the White House chief of staff, said it would be "a disgrace to the country" if the bill's opponents were to block the measure.

Senator George Mitchell, the Democratic majority leader, said such an attempt would be "unwise, both substantively and politically."

Senator Joseph Biden, who as chairman of the judiciary committee will manage the bill in the Senate, said that he believed the bill would be "awfully hard to stop," but he acknowledged that he faced a hard task in keeping together a coalition of colleagues so as to maintain the 60 votes needed to overcome procedural obstacles.

"My dilemma is to get virtually all the Democrats and between five and eight Republicans," he said.

In the final House vote on Sunday night, the bill won the backing of 188 Democrats, 46 Republicans and the lone Congressional independent, while 131 Republicans and 64 Democrats – mostly opponents of either gun control or the death penalty – voted against it.

Ever since President Bill Clinton's stunning defeat in a procedural vote in the House two weeks ago, the crime bill has overshadowed everything else for the administration.

White House officials said the first question on Vice-President Al Gore's lips, when he emerged from surgery on Sunday after injuring his Achilles tendon in a basketball game, was: "What's going on with the crime bill?"

Yesterday, crime pushed aside the Senate's snail-paced debate over healthcare reform, offering some members a welcome break from an argument that has already eaten one week out of the Congressional summer holiday.

House members, at least, were able to go home after the climactic vote on Sunday, but Senator Mitchell says he plans to keep the Senate in Washington until it has completed action on a healthcare reform bill, despite the advice of Senator Daniel Moynihan, finance committee chairman, that he allow senators to take a break.

"I will do whatever the leader wants done, but I think he might decide that we've talked enough, and we've listened to each other enough," he said on Sunday.

Congressman Robert Matsui appeared unimpressed by the Senate's feeling that it needed a rest.

"It's not as much a problem for them. As you know, they have older kids because they're older people," he said.

But, with tempers fraying on all sides, Mr Mitchell and Mr Clinton may conclude that, if they can bring the crime bill to passage, they would be better to leave the healthcare reform bill to one last, convulsive effort in September.

That may leave very little time to complete the measure before members start fretting to go home to campaign for re-election in November.

Former United Nations secretary general Mr Javier Pérez de Cuéllar, pictured above amid supporters at the Villa El Salvador shanty-town near Lima, says he will make an announcement on September 23, on whether to stand in the Peruvian presidential election next April, Reuter reports from Lima. In a statement late on Sunday, Mr Pérez de Cuéllar said he was seriously considering a request from several sectors of Peruvian society to run for president. "I will soon resume my pilgrimage around the country and, on September 23, I will formally announce my final decision," he said. Earlier on Sunday, he had told the meeting at Villa El Salvador that he was "an independent candidate." See Observer, Page 13.

Blockade of Cuba unlikely

By James Harding in Miami

The Clinton administration yesterday sought to damp speculation that the US was about to impose a naval blockade on Cuba. Mr William Perry, the defence secretary, visiting southern Florida to assess for himself the scale of the refugee problem, said: "We do not have orders at this time to effect a blockade."

A Pentagon official travelling with Mr Perry went further, to say that a blockade was "not something currently at the forefront of our planning."

Speculation that the US government would impose a blockade as a measure to speed the downfall of Cuba's President Fidel Castro grew over the weekend after Mr Leon Panetta, White House chief of staff, said a blockade was one of the options the US administration was considering.

Mr Perry confirmed the navy would send 10 ships to assist the Coast Guard in dealing with the growing number of Cubans attempting the crossing despite the administration's announcement at the end of last week that Cuban refugees would no longer be granted entry to the US and would be detained at the US naval base at Guantánamo Bay in Cuba.

Intel and AT&T in conferencing system deal

By Alan Cane

The threat of a damaging standards war in personal video-conferencing similar to the VHS and Betamax battle which divided video recorder manufacturers receded yesterday when AT&T and Intel said they were working together to build a compatible system.

Personal video-conferencing, where participants can see both each other and work papers on their personal computer screens while holding a telephone conversation, has been hailed as the future of business communications.

Intel, the world's largest semiconductor manufacturer has developed a system which can be installed in a PC in conjunction with a miniature video camera to create a desk-top video conferencing system.

AT&T, the largest US telecommunications carrier has an obvious interest in increasing traffic on its network through advanced services, such as tele-conferencing.

Mr John Petrillo, president of AT&T business communications services said: "This agreement will provide a technology base for making video and data calls with a PC as accessible and easy to use as calls with a telephone."

Conventional video-conferencing systems used by large companies cost £40,000 or more and are comparatively inflexible. Desk-top video costs only about £3,000 in addition to the cost of the PC.

A concern has been that Intel's video-conferencing system, called Proshare, is not compatible with the accepted standard for large video-conferencing, called H.320. The worry was that a industry-wide row over the two standards could slow progress. Proshare is cheaper than H.320 but does not have all its facilities.

Yesterday's agreement between AT&T and Intel means that customers will get "seamless integration between Intel's Proshare and AT&T's network services", the groups said. The two companies will build a technology bridge between the two standards.

Competition darkens the clouds over Brazil's carriers

Patrick McCurry reports on the battle for survival that economic conditions have forced on Latin American airlines

Brazil's three main airlines are cutting costs and seeking international alliances in a drive to counter the harsh economic environment.

The carriers – Varig, Transbrasil and Vasp – have been hit by weak demand and by partial, but long-overdue, deregulation which has put pressure on revenues through increased domestic competition. On international routes the airlines face excess capacity and fierce competition from US carriers.

To add to the pressures, lack of co-operation among the three has blocked some attempts to cut capacity and reduce costs.

These problems have forced the carriers to reduce operating and financing costs in radical restructuring programmes. Thousands of jobs have been cut, aircraft have been returned to leasing companies, and leases are being renegotiated.

In March, Varig, Latin America's largest airline with sales of $2.5bn last year, suspended lease payments on 50 of its 80 aircraft and cut 2,600 jobs.

Since then it has agreed to return four wide-bodied aircraft to leasing companies and is negotiating the return of another five. These measures are saving the airline $16m a month, according to Mr Rubel Thomas, chairman.

Varig is also giving seats on its board to suppliers General Electric and McDonnell Douglas of the US, in return for help in restructuring debts of about $600m related to the purchase of 10 aircraft and financed by the US Eximbank. Another board seat will be offered to Varig's Brazilian creditor banks, with which it has short-term debts of about $250m.

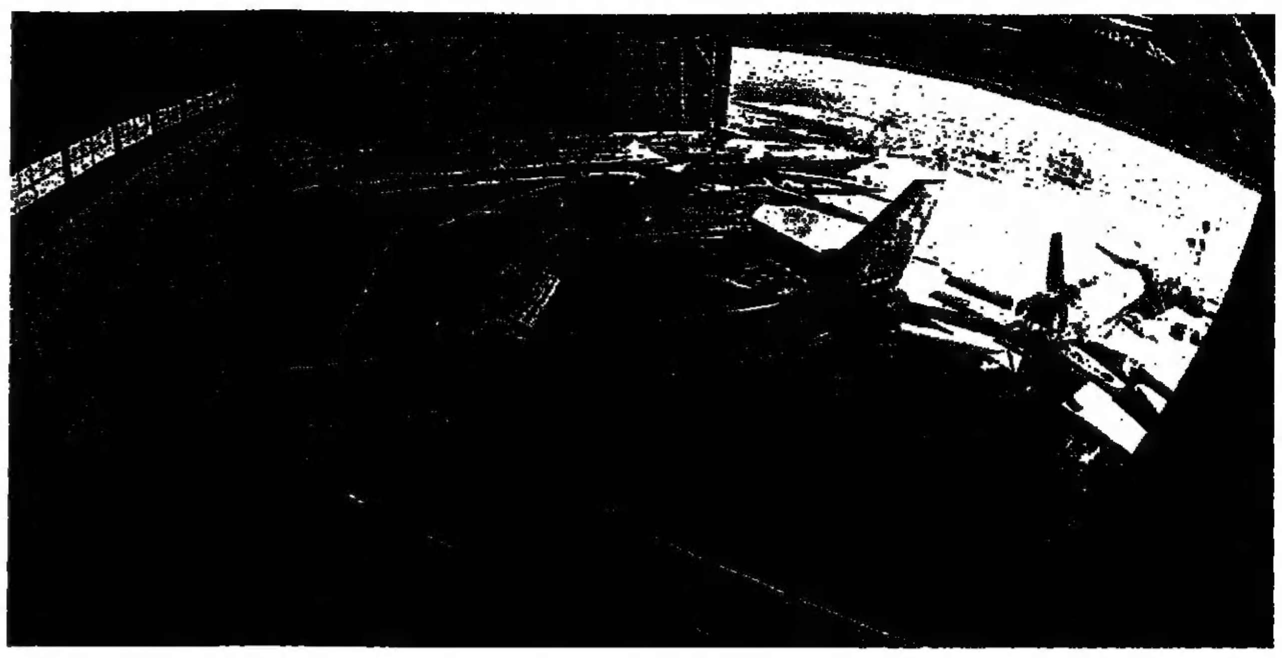
Mr Thomas forecasts that, after losing $97m in the year to December 1993, the company will return to operating profit next year. Varig, controlled by an employees' foundation, has lost more than $1bn in the past six years.

Varig, says Mr Thomas, has cut capacity by 14 per cent in the past year and is making money on domestic routes, where it has a 50 per cent market share. Competitors say its success is due to its ownership of half the busy São Paulo-Rio de Janeiro air shuttle and its dominance in overseas flights allows it to act as a feeder airline within Brazil.

Mr Thomas says Varig must also improve its international performance since it relies on those operations for more than half its revenues. Traffic between Brazil and the US has increased from 900,000 passengers in 1989 to an estimated 1.5m this year.

The increase has prompted Brazilian and US carriers to increase weekly flights from 40 to 61, hurting margins.

Brazilian carriers have also faced more aggressive competition from American Airlines and United Airlines, which began flying to Brazil after the US renegotiated an air services agreement in 1989.



Glyn Genin

Working towards better times in Brazil: airline carrier Varig's maintenance base at Rio de Janiero International Airport

Brazilian governments have always backed Varig, but officials say airlines can no longer rely on government support. Mr Mauro Gandra, head of the Civil Aviation Department (DAC), says: "Varig must learn to compete with companies like American Airlines."

Varig has linked with a US partner, Delta Airlines. It began a code-sharing agreement with Delta in June, and is now flying daily to Delta's Atlanta airport hub with connections to about 250 destinations in North America. The agreement, which also involves Varig in Delta's frequent flyer programme, is expected to improve the Brazilian carrier's international profitability, analysts say. Brazil's other two main airlines have been less successful in finding international partners.

Transbrasil plans to cut 1,500 workers from its 5,000 workforce, and founder Mr Omar Fontana says he is considering the sale of 40 per cent of the company to a consortium of Brazilian and European banks.

Vasp, which the state of São Paulo privatised in 1990, had a negative net worth of nearly $400m at the end of last year. It cut its workforce from 7,000 to just over 5,000 last year, and returned nearly half its fleet of 59 aircraft to leasing companies. This has led to a significant cut in financing costs, but there are still uncertainties about how it can continue to service its net debt, which last year approached $400m.

"Varig is learning how to survive in a more deregulated environment and Transbrasil has a very creative owner, but the jury is still out on Vasp's future," says Mr Bob Booth, a Miami-based aircraft consultant.

The shake-up follows years of over-regulation, when Varig was the only Brazilian airline allowed to operate internationally and Vasp and Transbrasil were given protected routes in the domestic market.

This closed shop was partly opened in 1991 and 1992 under former president Mr Fernando Collor, who deregulated air fares and allowed regional airlines to offer non-stop routes between big cities.

The government allowed the regional carriers access to important inter-urban routes to compensate for the essential but often unprofitable routes in Brazil's vast and undeveloped interior regions.

Unfortunately for the three main carriers, the deregulation coincided with a continuing fall in domestic demand. Due to Brazil's economic problems the market shrunk from 15bn revenue passenger kilometres in 1989 to 11.2bn last year and has fallen by another 5 per cent in the first half of this year, says Mr Sergio Kuczynski, Transbrasil's planning director.

But the airlines have largely refused to co-operate on rationalising flights.

Hopes that an economic stabilisation plan, launched this month, will boost demand led the airlines to postpone further capacity cuts at a meeting with the DAC in June, says Mr Thomas.

Although the companies are attempting to tackle their problems, analysts believe the restructurings are overdue and that further cuts will be needed to secure their long-term future in an increasingly turbulent environment.

Kersaf leisure group lifts profit by 4% to R443m

By Mark Suzman in Johannesburg

Kersaf Investments, the South African-based leisure group, which has widespread interests in hotels, casinos and cinemas, boosted after-tax profit by 4 per cent for the year to June to R443.4m ($124m) from R427.6m.

Turnover increased 8 per cent to R2.22bn from R2.05bn, while operating profit rose 7 per cent to R574.2m from R536.1m a year ago. The dividend was raised to 150 cents a share from 147 cents.

Although analysts regarded the results as satisfactory, most were disappointed at the final figures in light of the 15 per cent rise in pre-tax profit reported at the half year.

The group attributed the drop in the second-half earnings largely to unrest during March in the former homeland of Bophuthatswana where Sun International's Sun City and Lost City, the largest contributors to group revenues, are based.

The trouble deterred tourists.

Last Kässbohrer division sold off

By Christopher Parkes in Frankfurt

The all-terrain vehicles division of the private Kässbohrer automotive group has been taken over by the German arm of the Schroder Ventures group for an undisclosed sum.

The senior management, led by Mr Erwin Wieland, will participate in the deal and continue to run the business.

Schroders & Partner Beteiligungsberatung, however, will hold the "overwhelming" majority of the stake, Schroders said last night.

The buy-out, Schroders' fifth this year, was among the five biggest recorded in Germany, the finance house said.

The division turned over DM169m ($110m) last year and is best known for its Pisten Bully piste bashers which prepare and groom ski runs.

Some 9,000 have been delivered in the past 25 years. It also makes beach cleaning vehicles and a small range of tracked vehicles.

Employing a staff of 300, with 200 in the main base in Ulm, it claims to have a 65 per cent share of the European and a 50 per cent stake in world markets for piste preparation equipment.

Schroders said yesterday the Canadian Bombardier group, which had long been interested in the business, had dropped out after making an offer considered to be too low by creditor banks and the out-going Kässbohrer family.

The disposal completes the break-up of the 100-year-old Kässbohrer group.

This follows the recent agreement to sell the Setra marque bus business to Mercedes-Benz.

TVX, Kinross withdraw C$2.3bn Lac Minerals bid

By Robert Gibbens in Montreal

TVX Gold, an aggressive Toronto-based international gold producer, has withdrawn a C$2.3bn ($1.6bn) joint bid with Kinross Gold, another medium-sized Canadian producer, for Lac Minerals.

TVX and Kinross revealed their friendly share exchange proposal on August 1. It was rejected by Lac, as were bids from Royal Oak Mines and American Barrick Resources. Lac said it wanted to remain independent. TVX and Kinross wanted to split Lac's assets, with TVX taking the Chilean properties and Kinross the Canadian properties.

TVX said yesterday it was not in its shareholders' interest to pursue the merger.

Royal Oak's revised C$2.4bn bid is due to expire tonight and American Barrick's C$2.1bn offer expires on Friday.

The Ontario Securities Commission decided on Friday that Lac must dissolve its poison pill shareholder protection plan if either bid is accepted by 66 per cent of its shareholders.

INTERNATIONAL COMPANIES AND FINANCE

Goodman sets date to face music

Australian institutions are calling for boardroom changes. Nikki Tait reports

Goodman Fielder, the beleaguered Australian food company, yesterday said it would hold an extraordinary general meeting on October 13, at which shareholders would be able to vote on boardroom changes.

The meeting was requisitioned last week by Agrifood Investments, controlled by Mr Doug Shears, a Melbourne-based businessman, plus three big institutional investors. The board met at the weekend to discuss its response.

The unhappy investors are recommending the reappointment of two executive directors at Goodman – Mr Barry Weir, chief executive, and Mr Michael Brown, finance director – but suggesting that separate votes be taken over the removal of seven other directors. Four replacement candidates, all of whom have previous food or consumer products industry experience, have been lined up.

While the setting of an EGM date may take a little heat out of the Goodman situation, it seems unlikely that any temperature change will be permanent. The problem at Australia's largest food company is one of poor profits performance, and a share price which has gone nowhere for about five years. Measured against the Australian stock exchange food and household goods index, Goodman shares have underperformed by 55 per cent since January 1989.

At one level, this looks like another saga of a 1980s corporate creation felled by the harsher climate of the 1990s. For while Goodman is the leading food company in the Australasia region, boasting revenues of over A$4bn (US$2.9bn), it was put together through a flurry of acquisitions and mergers in little more than a decade.

Companies incorporated into the group ranged from Davis Consolidated Industries, best known for its gelatine products, to New Zealand's Wattie Industries. One of the last acquisitions, in 1992, was Uncle Toby's, a Melbourne-based manufacturer of cereal-based products whose products range from Vetta pastas to cake mixes. Uncle Toby's executive chairman was Mr Doug Shears and, as part of the deal, he acquired a 3.5 per cent interest in the larger group.

and product development may be necessary for a sustained upturn.

In the meantime, earnings have stagnated. Operating profit before abnormals stood at A$117.2m in the last full year to end-June 1993, compared with A$124.8m in 1988-89. Earnings per share were 10.4 cents, compared with 12.7 cents five years earlier. Gearing remains fairly high – a legacy of the acquisition trail. The ratio of net debt to equity, excluding goodwill, at end-1993 was about 75 per cent.

In spite of this – and in the face of persistent stock market speculation – no bidder has emerged to take over, or dis-

'The problem is not so simple we can solve it through the straightforward cutting away and disposal of one or two of our business groups'

Two years ago, a chunk of the Goodman empire was shed when the Wattie operations in New Zealand were bought by Mr Tony O'Reilly's Heinz group for A$428m. Nevertheless, Goodman today comprises a diverse bag of businesses – from food ingredients, poultry, and some Dutch bakeries, to a large domestic milling and baking division, and a smattering of Asian subsidiaries producing mainly baked goods or margarine/oils.

A fair portion of these interests are at the commodity end of the food industry, where low-cost production becomes all-important. Some of Goodman's larger divisions – such as poultry and bakeries – have faced intense price competition in recent years. And the group has admitted that more emphasis on innovative marketing

member, this assortment of interests. Management was changed last year, but the current chief executive, Mr Barry Weir, has suggested that improvement will only come through a overhaul of the individual businesses.

The group, he told shareholders in a letter earlier this year, was capable of making a 9 per cent to 10 per cent return on sales across its various operations. But he warned: "The problem is not so simple we can solve it through the straightforward cutting away and disposal of one or two of our major business groups".

This has done nothing for the Goodman Fielder share price which sagged to A$1.25 two months ago and closed yesterday at A$1.47. Mr Shears was issued his shares at A$1.70. Institutional investors are justifiably dismayed. One of the trio supporting the EGM call put the case bluntly yesterday: "What is needed is a strategy in place for Goodman Fielder which the market can have confidence in, and which puts some support into the share price".

A second aspect to the Goodman saga is the role which three institutions – the AMP, Bankers Trust, and the State Authorities Superannuation Board – have played. While it has become common practice in the US and UK for institutional fund managers to manoeuvre directors in and out of office at poorly performing companies, it is a rare sight in Australia.

A number of local fund managers admit they are anxious to see the Australian market shed its low-quality reputation.

Last year, institutions fought and won a battle over Rupert Murdoch's plan to introduce differential voting rights at News Corporation. Now there are plans by the Australian stock exchange to introduce corporate governance rules, along the lines of Britain's Cadbury report. So should the Goodman episode be seen as another example of this stepped-up vigilance? And should it carry a warning message to other lacklustre companies?

"Yes and no", said Ms Elizabeth Bryan, general manager of investments at State Superannuation Corporation, one of Goodman trio. "No one wants to reach a point where this sort of action is necessary. It is unusual, but we have a duty to ensure a company has strategies that engender profits and support for the share price."

BHP secures ninth Chinese exploration deal

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian steel and resources group, said yesterday it had signed an agreement with the China National Offshore Oil Corporation, to explore for oil and gas in the Pearl River Basin.

This is the ninth agreement which the company has signed with CNOOC, in recent times, to search for oil and gas in the Bohai, South China and Yellow Seas.

BHP Petroleum will hold a 100 per cent interest in the contract area, which covers about 3,640 sq km and is located about 180km south of Shantou, and will act as operator. Exploration is expected to start in the fourth quarter of 1994.

● Niugini Mining, which is controlled by Canada's Battle Mountain, said yesterday it had signed an agreement with Indian government-owned Hindustan Zinc, to explore and develop gold projects in India.

Gold production in India has dwindled to minimal levels, but the two companies said they believed there could be potential for bulk low-grade discoveries around old mining centres, and noted that some of the geology was fairly similar to that of Western Australia.

● Directors of Bougainville Copper, which is controlled by Australia's CRA group but quoted on the Australian stock exchange, said the reopening of the controversial Panguna mine on Papua New Guinea was unlikely in the near future, in spite of reports that PNG security forces had recaptured the area.

فكتر اون الإعلان

INTERNATIONAL CAPITAL MARKETS

Treasuries sharply lower on $ weakness

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds moved sharply lower yesterday morning as the dollar continued to weaken against other leading currencies.

By midday, the benchmark 30-year government bond was down 5/32 at 99 13/32, with the yield rising to 7.538 per cent. At the short end, the two-year note was down 1/32 at 99 13/32, to yield 6.227 per cent. After holding fairly steady on Friday, bonds across the board resumed a decline which had begun the day after the Federal Reserve's decision last week to boost short-term interest rates.

In the absence of any fresh economic statistics, the focus yesterday was on the foreign exchange markets, where the US currency lost further ground against the yen and the D-Mark amid concerns over US-Japanese trade talks. Traders fear a weak dollar may discourage overseas investment in US-denominated securities.

There was also concern over this week's influx of new supply. The market faces the auction of $17.25bn in two-year notes today, followed by the sale of $11bn in five-year securities tomorrow. Amid the current pessimism, demand could prove to be disappointing.

That prospect put the market on the defensive. Bonds registered moderate losses in the early going, but the damage grew more pronounced as the morning progressed. However, traders said the damage was exaggerated by the light trading activity.

■ Fears that German inflation could nudge above 3 per cent this month and rumours of a large sell order wiped around a half-point off German government bonds soon after the opening. The weakness in bunds dragged down other European markets in the morning but they later recovered.

GOVERNMENT BONDS

Dealers said that although bunds stabilised at lower levels, after the rumoured selling failed to materialise, the mood remained bleak and volume thin. Even the continued strength of the D-Mark failed to support bund prices.

A further depressant was the Bundesbank's announcement that it would be holding an auction of four-year treasury notes next week.

The news focused the market's attention once again on the Bundesbank's large funding programme. Dealers believe the central bank is aiming to raise around DM6bn from the auction.

On Liffe, the September bund future went as low as 91.00 at one stage but by the late afternoon it recovered to 91.23, down 0.13 point on the day. Volume was relatively robust for August.

■ UK gilts bounced back from the day's lows and moved into positive territory in the afternoon, though sterling's fall to a 1994 low against the D-Mark was seen to have limited gains.

The market was cheered by the second-quarter GDP data which according to Mr Simon Briscoe at S.G. Warburg showed no inflation, weaker consumer demand and a shift to exports. "The GDP numbers do promise an appealing future for gilts," he said.

The September long gilt future on Liffe stood ¼ point higher at 100 24/32 in the late afternoon, off the day's low of 100¾, in low volume of just over 36,000 lots.

■ Elsewhere, the Italian and Swedish bond markets bounced back after last week's weakness which had followed the interest rate rises in both countries.

The 10-year Swedish yield spread against bunds narrowed by around 50 basis points to 385 points after reaching almost 500 points last week. Italian 10-year government bonds rose by just over a half-point.

Kickbacks ban plan stirs up Hong Kong hornets

Hong Kong fund managers are putting the finishing touches to their submissions on an issue that has stirred up a hornets' nest: proposals to ban fund managers' from keeping cash commission rebates.

The Security and Futures Commission (SFC), the watchdog for the colony's financial markets, circulated its proposals last month, prompted by developments overseas and domestic concern. It is believed that less than half of the colony's fund managers accept cash commission rebates – the portion of broker's commission which is sometimes refunded to the fund manager.

The SFC says that in the US, UK and most continental European markets these rebates – or kickbacks – are effectively barred from winding up in managers' coffers; instead, they are channelled back to the fund to benefit investors. Jardine Fleming, the loudest dissenting voice and a recipient of rebates, disputes this, saying it is market practice instead of regulation which has dictated the end of rebates in the UK and Australia.

Mr Chris Russell, director of Jardine Fleming Holdings, which has US$4.5bn under management in Hong Kong authorised funds, quotes sections from the rulebook of the UK Investment Management Regulatory Organisation which, he says, show that rebates retained by fund managers in the UK – so long as they are disclosed – are not banned.

"Chapter 2 rule 1.6 talks about inducements, which are basically illegal," he says. "That chapter specifically excludes disclosed commissions from being an inducement. It is fair to say in that case, these things are generally allowed rather than disallowed so long as they are disclosed." Jardine itself is in favour of fuller disclosure.

For fund managers who receive rebates, the stakes involved in losing them are high. After canvassing portfolio managers, the SFC found certain managers receive rebates ranging from 25 per cent to well over 100 per cent of management fee revenues.

Brokers believe opponent Jardine Fleming is whistling in the wind, writes Louise Lucas

Managers of units trusts who are authorised to retain cash commission rebates will usually receive a rebate of between 0.125 per cent and 0.25 per cent of the transaction value in cash and will be separately invoiced, by the broker, for a 0.50 per cent commission. Brokerage commission rates for institutional-size transactions in Hong Kong stocks usually range from 0.25 per cent to 0.50 per cent of transaction value.

In contrast, unit trusts that do not accept cash rebates can usually negotiate in Hong Kong full-service brokerage rates from 0.25 per cent to 0.35 *per cent of transaction* value.

According to a survey commissioned by the Hong Kong Investment Funds Association which boasts 42 fund management companies as full/overseas members, 65 per cent of respondents support the proposal to ban rebates while 21 per cent oppose it and 14 per cent are indifferent.

There was more support for the SFC's related proposals, which advocate greater disclosure and stricter rules to govern the acceptance of "soft dollar" benefits, goods or services received from brokers in return for business. News screens, software and research fall into this category.

Fund houses hold differing standpoints on soft commission, but it is the rebate issue which has most sharply polarised the HK$350bn (US$45bn) industry (the value of funds managed in over 900 SFC authorised vehicles; however, the SFC reckons an additional HK$1,000bn in other institutional portfolios is managed from Hong Kong).

In the opposite corner from Jardine Fleming stands Fidelity Investments, which has more than US$2bn in its Hong Kong authorised mutual funds. Fidelity is firmly opposed to these kickbacks.

It argues that a fund manager who receives additional cash every time he trades suffers a conflict of interest since frequent buying and selling, or "churning", raises his own monetary rewards. Moreover, brokers may not always be selected on the basis of his service, but the size of his commission, which is detrimental to the interests of the investor.

While Fidelity can be accused of making a virtue out of necessity – being prohibited from retaining rebates in the major*ity of big markets where it* operates – their argument is winning altogether more sympathy than that of Jardine Fleming. Brokers generally believe Jardine is whistling in the wind, and that the SFC will proceed to ban rebates.

Jardine Fleming says if it were to take this route the SFC would build a stricter regime in Hong Kong than that which operates in the UK and Australia and jeopardise the colony's competitive edge.

Attention centres on D-Mark issues

By Conner Middelmann

A handful of D-Mark issues were the main focus of an otherwise quiet day in the eurobond market.

Chemical Bank lead-managed two floating-rate note issues, DM150m for Union Bank of Finland and DM80m for Landsvirkjun, Iceland's national power company.

INTERNATIONAL BONDS

The Landsvirkjun issue, which has a five-year maturity, pays a coupon of three-month Libor plus 22½ basis points and was priced at a discounted margin of 28 basis points over Libor. According to the lead manager, the notes saw demand from banks and non-bank investors, mainly in Europe.

The Union Bank of Finland issue, however, was widely criticised as being too tightly priced. It pays a coupon of three-month Libor plus 15 basis points and was offered at a discounted margin of 18 basis points over Libor. "Why should I buy a BBB/A3-rated Finnish name when I can get Italy at around the same level?" asked one syndicate official.

The establishment of money market funds in Germany, which have been permitted since August 1, has created increased demand for money-market paper. However, according to one Frankfurt dealer, the funds so far have been buying mainly domestic paper. Still, "once they've exhausted the domestic market, they'll start buying sovereign names", he said, adding that he expects to see increased issuance of D-Mark FRNs in coming months.

In the dollar sector, dealers are looking to a wave of Japanese government-guaranteed issues in coming weeks. Japan Highway is expected to lead the way today or tomorrow with a $500m 10-year offering priced to yield around 30-35 basis points above US Treasuries. It is expected to be followed by deals from Japan Finance Corp for Municipal Enterprises, the Japan Development Bank, the Metropolis of Tokyo and the Cities of Kobe and Yokohama.

● Argentina will borrow $500m from commercial banks for 18 months, according to the country's finance secretary Mr Roque Maccarone, Reuters reports. The loan, led by Credit Suisse and Chemical Bank, will cover a shortfall in government financing created by delays in privatisations of several state companies, he said.

Meanwhile, Columbia is preparing a $150m sovereign eurobond issue for the end of September for offer principally in Asian markets, said deputy finance minister Mr Francisco Azuero. He said details were still being worked out, but the idea was to use $100m for early repayment of more expensive foreign debt and to employ the remaining $50m on government spending.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
General Electric Capl.Corp.(a)	100	6.50	variable	Jun.1997	undisc.	-	Kidder Peabody Intl.
D-MARKS							
Ford Credit Europe	200	7.125	101.57	Sep.1999	2.50	-	DG Bank
Union Bank of Finland(b)‡	150	(b1)	99.90R	Sep.1997	0.125R	-	Chemical Bank
Landsvirkjun‡	80	(c)	99.83	Sep.1999	0.25	-	Chemical Bank
GUILDERS							
General Electric Capital.Corp.	250	6.375	99.77R	Sep.1997	0.1875R	+15(6¾%-97)	ABN Amro Bank
AUSTRALIAN DOLLARS							
Toyota Motor Credit Corp.	125	8.50	100.97	Sep.1997	1.50	-	Hambros Bank
HONG KONG DOLLARS							
Wheelock Finance (1994)‡	1bn	(d)	100.00R	Sep.1999	0.50R	-	Goldman Sachs (Asia)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible with $250m. Plus 85 days accrued. b) Callable in Sep.96 at par. b1) 3-mth Libor +15bp. c) 3-mth Libor +22½bp. d) 6-mth Hibor +100bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.9900	+0.360	9.31	9.50	9.59
Belgium		7.250	04/04	92.1000	-	8.47	8.33	7.87
Canada *		6.500	09/04	84.5000	+0.300	8.91	9.07	9.21
Denmark		7.000	12/04	87.5200	+0.420	8.89	8.82	7.90
France	BTAN	8.000	05/98	102.1250	-	7.31	7.15	6.57
	OAT	5.500	04/04	84.0600	-0.400	7.91	7.74	7.18
Germany Bund		6.750	05/04	96.3000	-0.130	7.29	7.20	6.74
Italy		8.500	04/04	82.5900	+0.590	11.54†	11.50	10.35
Japan	No 119	4.800	06/99	103.4480	-0.190	3.95	4.05	3.66
		4.100	12/03	96.7370	-0.220	4.60	4.62	4.33
Netherlands		5.750	01/04	89.5400	-0.180	7.32	7.23	6.85
Spain		8.000	05/04	82.3000	+0.150	11.04	11.06	10.37
UK Gilts		6.000	08/99	90-09	-1/32	8.43	8.43	7.94
		6.750	11/04	87-07	+3/32	8.65	8.63	8.23
		9.000	10/08	102-23	+5/32	8.68	8.67	8.34
US Treasury *		7.250	08/04	99-24	-2/32	7.28	7.30	7.26
		7.500	11/24	99-28	-4/32	7.51	7.61	7.53
ECU (French Govt)		6.000	04/04	83.9800	-	8.49	8.28	7.82

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.59	Two year	6.24
Prime rate	7¾	Two month	4.59	Three year	6.59
Broker loan rate	5½	Three month	4.88	Five year	6.86
Fed.funds	4 9/16	Six month	5.13	10-year	7.32
Fed.funds at intervention	-	One year	5.68	30-year	7.55

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.06	112.88	-0.16	113.60	112.54	177,329	117,635
Dec	112.20	112.00	-0.20	112.72	111.74	15,084	24,236
Mar	111.58	111.38	-0.15	111.56	111.20	802	4,252

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
113	0.46	1.90	-	0.58	2.94	-
114	0.13	1.47	-	1.27	3.43	-
115	0.03	1.02	-	2.23	4.04	-
116	-	0.73	-	3.12	4.70	-
117	-	0.52	-	4.12	-	-

Est. vol. total, Calls 23,013 Puts 52,356. Previous day's open int., Calls 381,594 Puts 374,292.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.46	91.23	-0.13	91.54	91.00	94639	136354
Dec	90.62	90.40	-0.16	90.70	90.23	4420	31978

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9100	0.38	0.65	0.98	1.20	0.15	1.25	1.58	1.80
9150	0.12	0.47	0.77	0.97	0.39	1.57	1.87	2.07
9200	0.01	0.33	0.59	0.78	0.78	1.93	2.19	2.39

Est. vol. total, Calls 10068 Puts 19612. Previous day's open int., Calls 289017 Puts 279227

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.68	96.67	-0.06	96.68	96.68	52	78

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.80	98.80	+0.85	99.05	97.72	46527	78332
Dec	96.59	97.03	+0.81	97.25	96.39	6024	18498

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9850	0.30	2.17	0	3.64
9900	0	1.96	0.20	3.93
9950	0	1.76	0.70	4.23

Est. vol. total, Calls 1137 Puts 2007. Previous day's open int., Calls 41384 Puts 37341

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.25	87.65	+0.11	87.86	87.24	52,712	102,809
Dec	86.95	86.55	-0.05	86.95	86.10	3,646	6,198

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-20	100-24	+0-06	101-05	100-12	36441	107456
Dec	100-14	100-08	+0-02	100-21	99-30	5613	7040

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	0-53	2-42	0-05	2-26
101	0-09	2-10	0-25	2-58
102	0-01	1-41	1-17	3-25

Est. vol. total, Calls 2536 Puts 4427. Previous day's open int., Calls 70912 Puts 59906

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	80.96	80.90	-	81.22	80.60	675	7,051
Dec	80.36	80.46	-	80.36	80.36	100	396

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-26	102-14	-0-12	102-29	102-10	267,551	336,104
Dec	102-00	101-20	-0-13	102-03	101-17	17,671	106,964
Mar	-	100-26	-	-	-	2,137	4,923

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	108.37			108.39	108.24	179	0
Dec	107.26			107.41	107.26	1330	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Aug 22	Day's change %	Fri Aug 19●	Accrued interest	xd adj. ytd		Low coupon yield Aug 22	Aug19●	Yr. ago	Medium coupon yield Aug 22	Aug19●	Yr. ago	High coupon yield Aug 22	Aug19●	Yr. ago
1 Up to 5 years (24)	120.07	+0.04	120.39	1.79	7.28	5 yrs	8.53	8.54	6.45	8.66	8.66	6.56	8.78	8.79	6.75
2 5-15 years (21)	138.56	+0.11	138.54	1.80	8.68	15 yrs	8.58	8.59	7.17	8.71	8.72	7.31	8.95	8.97	7.54
3 Over 15 years (9)	153.42	+0.18	154.16	0.51	9.81	20 yrs	8.54	8.55	7.29	8.71	8.72	7.39	8.81	8.81	7.56
4 Irredeemables (6)	176.06	-0.27	176.56	3.33	7.36	Irred.†	8.63	8.64	7.44						
5 All stocks (60)	136.08	+0.09	136.30	1.82	8.44										

Index-linked							Inflation 5% Aug 22	Aug19●	Yr. ago	Inflation 10% Aug 22	Aug19●	Yr. ago
6 Up to 5 years (2)	185.46	+0.08	185.31	0.54	3.95	Up to 5 yrs	3.65	3.68	2.62	2.52	2.55	1.81
7 Over 5 years (11)	173.25	+0.06	173.15	0.71	3.46	Over 5 yrs	3.79	3.79	3.29	3.59	3.59	3.11
8 All stocks (13)	173.65	+0.06	173.54	0.69	3.49							

Debentures and Loans						5 year yield Aug 22	Aug 19	Yr. ago	15 year yield Aug 22	Aug 19	Yr. ago	25 year yield Aug 22	Aug 19	Yr. ago
9 Debs & Loans (75)	127.04	-0.01	128.24	2.06	7.40	9.71	9.71	7.82	9.65	9.65	8.18	9.60	9.58	8.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date. ● Corrected figures.

FT FIXED INTEREST INDICES

	Aug 22	Aug 19	Aug 18	Aug 17	Aug 16	Yr ago	High*	Low*
Govt. Secs. (UK)	91.14	91.19	91.24	91.68	91.37	101.68	107.04	90.99
Fixed Interest	108.83	108.89	109.37	109.59	109.04	123.93	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15
Gilt Edged bargains	89.8	84.7	96.0	75.5	76.8
5-day average	84.6	83.5	90.2	87.0	88.0

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.93	5.36	100 11/32	—	103 15/32	100 11/32
12pc 1995		11.69	5.65	102⅝	—	107⅛	102⅝
Exch 3pc Gas 1990-95		3.05	5.49	98⅛	—	98 1/32	97¾
10¼pc 1995		9.92	6.39	103 9/32	—	107 19/32	103 9/32
Treas 12¾pc 1995‡‡		11.89	6.82	106 23/32	—	113⅝	106 23/32
14pc 1996		12.82	7.02	109⅛		117 5/32	109⅛
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Treas 11½pc 2001-4		10.27	9.04	111 31/32xd	+¼	129 15/32	110⅞
Funding 3½pc 1999-4		4.85	7.51	72⅛	+⅛	85⅛	71⅛
Conversion 9½pc 2004		9.09	8.80	104 15/32	+⅛	125⅛	103
Treas 6¾pc 2004‡‡		7.75	8.64	87⅛	+⅛	105⅛	85 25/32
Conv 9½pc 2005		9.05	8.75	104 15/32	+⅛	125½	103¼
Treas 12½pc 2003-5		10.38	8.10	120 15/32	+⅛	143⅛	119⅛
7¾pc 2006‡‡		8.94	8.69	92 23/32xd	+⅛	112 15/32	91½
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
	(b)						
2pc '96	(67.9)	2.43	3.75	189¾xd	+⅛	203½	187 15/32
4⅝pc '98‡‡	(135.6)	2.84	3.46	107¼	+⅛	113⅛	106⅛
2½pc '01	(78.3)	3.28	3.71	165⅛xd	+⅛	178⅝	163½
2½pc '03	(78.8)	3.41	3.79	161⅛	+⅛	173⅝	159⅛
4⅝pc '04‡‡	(135.6)	3.40	3.73	108¼	+⅛	118⅛	107⅛
2pc '06	(69.5)	3.48	3.74	165	+⅛	184 13/32	165⅛
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on August 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅝	91⅞		7.90
Alberta Province 7⅝ 98	1000	101¼	101½		7.26
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	101½	101⅝	-⅛	6.56
Volkswagen Intl Fin 7 03	1000	95¼	95⅝	-⅛	7.59
World Bank 0 15	2000	20⅛	20½	-1⅛	7.81
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	91½	91¾		9.47
Alliance Leics 11⅛ 97 £	100	106½	107	-⅛	8.55
British Land 8⅞ 23 £	150	87⅝	88¼		10.47
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NEWS: UK AND IRELAND

Better agrochemicals showing behind return to black with £1.13m

MTM plans £16.7m expansion

By Tim Burt

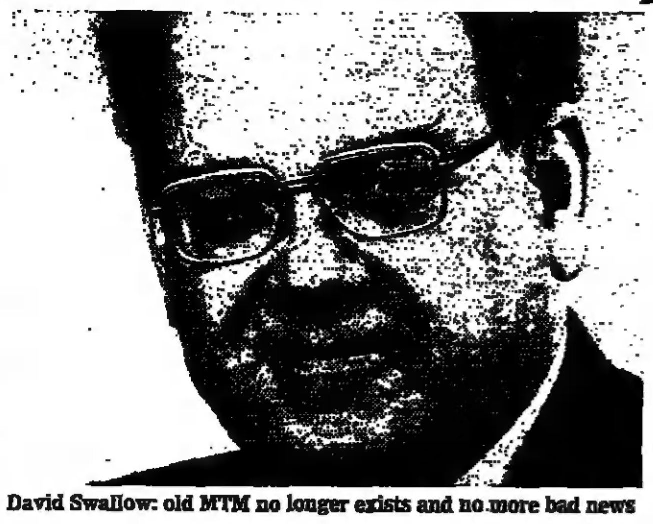
MTM, the chemicals company which almost collapsed two years ago, yesterday announced details of a new acquisition strategy aimed at rebuilding the group.

It is planning to spend up to £16.7m of its cash reserves to establish three or four core businesses in sectors such as bio-technology, ceramics and instruments.

The move follows an aggressive divestment programme, culminating last month with the sale of its agrochemicals subsidiary to United Phosphorus for £10.5m – the last subsidiary inherited from the previous management.

Having sold most of its assets to BTP last year to reduce debt, the group has emerged with just one business: Colin Stewart Minchem, a minerals and chemicals processor acquired for £11.8m earlier this year.

"The old MTM no longer exists and there will be no more bad news," said Mr David Swallow, chairman.



David Swallow: old MTM no longer exists and no more bad news

The shares rose 6p to 85p yesterday after the company announced first half pre-tax profits of £1.13m, against losses of £11.9m last time.

Mr Swallow said the turnround was due mainly to an improved performance by the agrochemicals business, where a new management team has cut costs and consolidated operations at two sites.

The figures were also flattered by £221,000 of interest receivable, compared with payments of £3.7m, and a £418,000 contribution from CSM.

Announcing an interim dividend of 0.5p – the first since 1991 – Mr Swallow added: "We want to get MTM on a sound long-term footing, and this is the start."

With the balance sheet strengthened by the agrochemicals disposal and funds raised by the placing and open offer earlier this year, the group has began eyeing technology-related businesses.

Likely acquisitions range from established profitable companies to emerging businesses which promise to be cash generative.

Earnings per share were 3.73p (losses of 60.6p).

● **COMMENT**

MTM is a speculative buy. Uncertainty surrounds the ongoing inquiry by the Serious Fraud Office, which is investigating the former management, and there is no guarantee that their successors will find the right acquisitions to bolster shareholder value. Nevertheless, second half contributions from CSM and the sale of surplus property – including the Rudby Hall headquarters when the market capitalisation was £214m rather than £19m – should lift full year profits to £2.5m. The shares look pretty cheap on a forward multiple of 14.8, but the risks remain.

Investment losses push Hibernian in the red

By Richard Lapper

Hibernian Group, the third largest insurance company in the Irish Republic, reported a pre-tax loss of I£6.24m (£6.2m) for the first six months of 1994, against restated profits of I£31.5m.

The result was after realised and unrealised investment losses of I£18.1m (gains of I£21.2m). Operating profits were 15 per cent ahead at I£11.8m (I£10.2m).

After a tax credit of I£2.67m (I£11.6m debit) losses per share emerged at 7p against earnings of 38.9p. The interim dividend is raised by 9 per cent to 2.5p (2.3p).

Hibernian, which earns more than 80 per cent of its non-life income in Ireland, saw general insurance profits rise by 7 per cent to I£9.4m (I£8.8m), largely reflecting an improved underwriting performance.

Underwriting losses were cut to I£7m (I£8.46m) – mainly because of the effect of past premium rate increases – and helped offset a reduction in income from investments to I£16.4m (I£17.3m).

Premium income increased by 8 per cent to I£108.9m.

Operating profits from life assurance and pensions business increased by 67 per cent to I£2.42m (I£1.45m). New annual premiums increased by 43 per cent to I£5.3m, with Hibernian increasing its market share. Single premium sales amounted to I£19.1m, compared with I£35.1m. Last year single premium business was boosted by sales of guaranteed bonds.

The group said that "severe volatility" in world stock markets during the first half of 1994 caused a fall in the capital value of investments of I£18.1m, with shareholders' funds decreasing to I£95.5m compared with I£100.1m at December 31. Net assets per share amounted to 185p (195.5p at end-December).

Mr Cecil Hayes, general manager finance, said that despite the investment losses the group had still outperformed the Irish gilt and equity markets.

Meyer shake-out continues as Jewson chief resigns

By Andrew Taylor, Construction Correspondent

The management shake-out at Meyer International is continuing with the announcement yesterday that Mr Richard Reynolds is resigning as chairman and managing director of Jewson, Britain's biggest builders' merchants chain and the company's largest subsidiary.

Mr Reynolds, 45, who joined Jewson at the age of 16, had been managing director of the subsidiary since 1986. He is also resigning as a main board director of Meyer. The company said that Mr Reynolds would be leaving on September 30 "to pursue other interests".

The company is thought to have regarded Mr Reynolds as a good operational manager, but not the right person to pursue the strategic development of the builders' merchants business which is expected to expand as construction demand increases.

It is the third major board change to be announced at Meyer in less than a year. Mr Richard Jewson last autumn announced that he was quitting as chairman and chief executive of Meyer after the company decided to split the two roles in line with the Cadbury committee recommendations.

Mr Jewson, who became chairman in 1991, said that he did not disagree with the board's decision to divide the two roles, but did not want to become a non-executive chairman, nor did he wish to go back to being chief executive, his earlier post.

He was succeeded as chief executive by Mr John Dobby, managing director of Meyer since October 1991. Mr David Kendall, chief executive of BP Oil between 1985 and 1988 and chairman of Bunzl until last year, was appointed non-executive chairman of Meyer in April.

Until a successor for Mr Reynolds is appointed, Mr Dobby will take over responsibility for running Jewson, which contributed 35 per cent of Meyer's turnover and 41 per cent of operating profits in the 12 months to end-March.

Group profits for the year rose from £14.4m to £41.6m while sales increased by 10 per cent to £1.2bn. Jewson's operating profits rose by 78 per cent to £20.7m.

Meyer said yesterday that sales at Jewson, helped by a rise in new housebuilding, were higher in the first four months of the current financial year than at the corresponding stage last year.

BDA chairman out after EGM

Mr Brian Duker, chairman and chief executive of BDA Holdings, has been removed from the board of the property investment and development group.

This follows an extraordinary meeting on Friday when shareholders holding 10.14m ordinary shares, or 56.01 per cent of the equity, voted in favour of the resolution to remove Mr Duker. Holders of only 629,136 shares (3.48 per cent) voted against.

The meeting was called by two non-executive directors, Mr Richard Wollenberg and Mr Nigel Jamieson, who now intend to take an active role in running the company.

Mr Wollenberg, formerly non-executive deputy chairman, has taken over as chairman. He said BDA "intends to build out its existing developments and land bank and will seek new opportunities to take the company forward".

Mr A Dawes, presently in charge of building operations, has been appointed general manager. The board plans to seek additional directors in due course.

Warburg to act as custodian for Halifax

By Norma Cohen, Investments Correspondent

Halifax Building Society, the UK's largest, has appointed SG Warburg's custody and investor services division to handle the administration of its new unit trust business, due to be launched early next year.

The move is part of a growing trend among providers of retail investment products to assign administration and custody functions to third-party providers in an effort to reduce costs. Efficient management of custody and administration increasingly requires significant investments in systems technology which are too large for all but the largest groups.

Last year, Henderson Administration and Gartmore, two fund management companies with significant retail products, formed a joint venture to handle the back-office custody and administration business for their own and others' funds.

The other leading provider in the UK is Premier Administration, a division of US-based Mellon Bank, a significant participant in the global custody business.

Warburg is already the custodian for the new start-up retail financial products business of the Leeds Building Society and the retail products business of Invesco, the fund management group. "This is a business where economies of scale really do make a difference," said Ms Elizabeth Corley, director of Warburg's custody and investor services division. About £3bn to £4bn of Warburg's custody assets are those of third parties.

"What we have found is that their interest is less pure custody and more administrative services," she said. Rules governing unit trusts make explicit requirements on the pricing of units, frequency of fund valuations and transfers of ownership of units.

Hongkong Bank of Canada lifts net income by 34%

Hongkong Bank of Canada, an indirectly-held, wholly-owned subsidiary of HSBC Holdings, reported consolidated net income up 34 per cent to C$23.1m (£10.7m) for the third quarter of 1994, against C$17.2m in the comparable period last time.

Total assets at July 31 were C$15.5bn, up 21 per cent from the C$12.8bn at end-July 1993. Return on average equity for the period was 17.5 per cent, against 14.1 per cent.

Mr Bill Dalton, president and chief executive, said the growth of the balance sheet, tight cost controls, and prudent credit management had all contributed to a "record nine months for the bank".

The risk/asset ratio stood at 8.8 per cent at the period end, and the Tier 1 capital ratio was 5.5 per cent.

Sime Darby offer unconditional

Sime Darby London's agreed offer for Lec Refrigeration has received acceptances in respect of 3.46m shares equal to 57.24 per cent of the new equity.

The offer is declared unconditional as to acceptances and will remain open until further notice.

Coventry advances 27% to £16.5m

By Alison Smith

Coventry Building Society yesterday reported a 27 per cent rise in pre-tax profits to £16.5m for the first half of 1994.

Against a background of intense competition for personal savings, the society took in only £43m in net retail receipts – including interest added to savings accounts – against £187m last time.

Mr Martin Ritchley, chief executive, said that the sector as a whole had suffered an outflow in the first half of the year. The society is expected to pursue retail deposits more aggressively in the second half of the year.

He emphasised, however, the importance Coventry attaches to raising money on the wholesale markets, which is cheaper at present, to fund its mortgage lending. Mortgage lending was slightly higher in the first half of the year, at £216m (£208m).

Provisions against bad and doubtful mortgage debts fell to £1.3m (£4.2m).

Total assets rose to £3.05bn (£2.82bn).

There has been speculation that Coventry, the UK's 15th largest society, would be a potential target for a bank or other financial institution. But Mr Ritchley said its results showed it was able successfully to maintain its independence.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aerospace Eng	fin	0.5	Oct 10	0.5	0.75	0.75
Hibernian	int	2.5‡	Oct 21	2.3	-	7
MTM	int	0.5	Oct 15	nil	-	nil

Dividends shown pence per share net except where otherwise stated. ‡Irish pence.

هكذا من الاصل

Sycamore plans £1.7m refinancing

By Clare Gascoigne

Sycamore, the laboratory, office and garden furniture manufacturer, has announced a refinancing with the issue of £1.7m convertible [illegible] stock and a [illegible] bridging loan, subject to shareholder approval.

The refinancing is necessary because [illegible] continuing losses at the group, primarily [illegible] Cygnet laboratory furniture subsidiary. Mr Andrew Johnson, chairman, [illegible] Cygnet had been placed in receivership [illegible] the group would now concentrate on [illegible] profitable Deanes [illegible] furniture business.

Royal Bank [illegible] and Tufton Capital, a corporate recovery specialist, have [illegible] to [illegible] stock, which will [illegible] ordinary shares representing up [illegible] per [illegible] of the enlarged [illegible] capital.

Existing shareholders will be able to subscribe to an amount equal to the number of shares that would arise if one third of the loan stock were immediately converted at a price equivalent [illegible] 90 per [illegible] price of the loan [illegible].

The group also announced a £1.84m pre-tax loss for the six months to end-March, compared with a restated loss of £1.88m. Turnover fell from £11.1m to £9.7m, although sales rose 53 per cent to £4.7m at Deanes, which made operating profits of £408,000 (£140,000).

In January the group sold HCL Fasteners and Ashworth Leisure for a total of £600,000.

Mr Johnson said the first half did not include the full impact of Cygnet's receivership, or further "substantial" asset write-downs.

Losses per share worked out [illegible] 0.84p (1.89p) and there is no interim dividend.

Cookson in east European venture

By Paul Taylor

Cookson, the specialist [illegible], is forming a joint [illegible] with Thyssen [illegible] Germany [illegible] and supply [illegible] and [illegible] European markets with special [illegible] systems [illegible] casting process.

The joint venture agreement involves Vesuvius [illegible]tional, Cookson's Belgium-[illegible] subsidiary [illegible] Dolomitwerke Wulfrath, a Thyssen subsidiary. Vesuvius will hold [illegible] in [illegible] new joint venture while Wulfrath will hold [illegible] balance.

[illegible] partners will inject their shares in [illegible] own [illegible] European joint venture companies – Vesuvius [illegible] and Ceramika Wulfrath Skawina – [illegible] the new [illegible]. [illegible] Czech [illegible] Polish partners [illegible] existing joint [illegible] will [illegible].

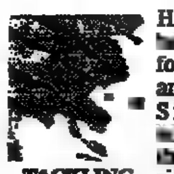
Mr Stephen [illegible], chief [illegible] corporate development [illegible] Vesuvius division, [illegible] joint [illegible] would enable both [illegible] and Thyssen [illegible] in [illegible] Europe and [illegible] working [illegible]ship.

The central and eastern European [illegible] represent annual [illegible] production [illegible] about 170m [illegible] with German [illegible] representing [illegible] this.

[illegible] joint venture will initially [illegible] of [illegible] £25m and £30m a year, but turnover [illegible] profits [illegible] ted [illegible] grow quickly [illegible] continuously cast steel production [illegible] place.

Thinking small gives 600 Group a cutting edge

Andrew Baxter considers new expansion opportunities which are being created in traditional markets



TACKLING ASIA'S TIGERS

Humidity can [illegible] a problem for both man and machine in Singapore, [illegible] why [illegible] sub-sidiary [illegible] 600 Group opened a new [illegible] showroom there earlier this month [illegible] help [illegible] of [illegible] machine tools.

However, [illegible] to [illegible] created, Mr Richard Verrier is [illegible] on the prospects [illegible] and materials handling [illegible] in Singapore and neighbouring [illegible].

[illegible] considerably from country [illegible] country [illegible] there [illegible] plenty of opportunities, said Mr Verrier, director and general manager of both George Cohen Far East and George Cohen (Malaysia), based in Singapore and Selangor, Malaysia, respectively. Mr George Cohen was the founder of 600 Group.

Along with many UK engineering companies, 600 Group has had a presence in the region for decades, but has recently reorganised its management to improve the performance of the businesses.

[illegible] activities [illegible] Singapore, [illegible] New Zealand have been placed under the overall control of Mr John Leverett, managing director of 600 Machinery Australia.

In its most recent annual report, 600 Group said the change had led to significant cost savings and "we are now well positioned to exploit the many expansion opportunities which exist in the countries of the Pacific Rim".

Mr Verrier said sales from Malaysia and Singapore, along with Hong Kong, were running at £6m-£7m a year. "But I have no doubt they will increase, following the restructuring."

The company's aim is to expand its Asia Pacific activities into new countries and territories, starting this year. On a longer-term basis, Mr Verrier said Singapore would be the nucleus for exporting to Thailand, Sri Lanka, Burma and Indonesia, and he would also be looking at trading with Cambodia, Laos and Vietnam.

But he is not ignoring Singapore, as the new showroom testifies. The group's machine tool sales effort for the island state was strengthened significantly in May with the arrival of Mr David Gibney to head the local machine tools division.

Richard Verrier, left, and David Gibney: using unprecedented market research to take on lathe producers in Japan and Taiwan

Both Mr Gibney and Mr Verrier [illegible] that, [illegible] perhaps the first time, 600 Group has the opportunity to take on the Japanese and Taiwanese [illegible] producers through [illegible] new [illegible] produced by [illegible] Lathe offshoot.

[illegible] small, "no frills" computer [illegible] lathes, [illegible] in April following an unprecedented market [illegible] exercise among small engineering companies, [illegible] proved an immediate success.

In Singapore, [illegible] machines [illegible] "apartment factories", [illegible] ingly sophisticated [illegible]. But [illegible] Verrier [illegible] also hopeful [illegible] winning [illegible] for [illegible] from Singapore's fast-growing engineering [illegible].

Elsewhere in Singapore, the main prospects are in the company's emerging high-technol-[illegible] businesses, such [illegible] marking system which [illegible] applications in the electronics industry. The system [illegible] in Singapore [illegible] year, while the 600 Group electro-optical products [illegible] yet [illegible] be launched there.

Mr Verrier sees [illegible] prod-[illegible] supporting sales in Singapore as the focus of the company's more traditional industrial products shifts to Malaysia, reflecting a transition [illegible] other UK engineering companies operating in [illegible].

"The hub of machine [illegible] is going [illegible] Malaysia in [illegible] next [illegible] years," [illegible] said.

In [illegible] tools, 600 Group [illegible] well [illegible] in Malaysia's education sector, but needs [illegible] penetrate [illegible] the industrial [illegible]. Again Mr Verrier hoped the [illegible] could [illegible] this with the [illegible] and "hit [illegible] where [illegible] hurts".

[illegible] target [illegible] the country's small machine shops. The projected growth in Malaysia's [illegible] industry [illegible] plans [illegible] machined [illegible] parts, make this an [illegible]. And, [illegible] its Singapore counterpart, it is looking [illegible] buying [illegible] rather than manual machine tools.

But the big opportunity for 600 Group in Malaysia [illegible] for sales of its materials handling equipment [illegible] the palm oil industry. A shortage of labour in parts of the country [illegible] encouraging plantation owners [illegible] look at mechanised methods of collecting the fruit.

Mr Verrier is working hard to promote [illegible] Group's Hiab truck-mounted cranes [illegible] job of [illegible] bunches [illegible] fruit on [illegible] trucks, [illegible] the cranes needed to be [illegible] do that [illegible] a day.

That is one reason why [illegible] less competition in the Malaysian materials handling than in [illegible] Singapore [illegible]part, where Mr Verrier said 28 companies offered truck-mounted [illegible]. Of these, [illegible] rivals, [illegible] Italian producers [illegible] "really undercut [illegible] price".

Mr Verrier [illegible] sees [illegible] opportunities in Malaysia [illegible] sales [illegible] materials handling equipment [illegible] a [illegible] and construction sector for which [illegible] kind of equipment [illegible] relatively [illegible].

Previous articles [illegible] appeared [illegible] 9, [illegible] and 17.

NEWS DIGEST

Aerospace Engineering 71% ahead

Aerospace Engineering, [illegible] precision engineering [illegible], [illegible] pre-tax profits by 71 [illegible] to £267,000 during [illegible] April [illegible].

Mr [illegible] Davis, chairman and [illegible] executive, [illegible] was benefiting [illegible] rationalisation [illegible] completed [illegible] year. The [illegible] strengthened, he added, following [illegible] a surplus property in Swindon.

[illegible] was improved demand for printed circuit [illegible] and the [illegible] expected [illegible] demand [illegible] continue growing.

Turnover of continuing activities slipped [illegible] (£17.6m). Earnings [illegible] from [illegible] 0.64p [illegible] the dividend is held at 0.75p with an unchanged final of 0.5p.

Surrey

Surrey Group, the bookmaker, received acceptances for 52.5m shares in its £2.1m rights issue, representing 56.6 per cent of the new share capital.

Ideal Hardware

Ideal Hardware, the specialist distributor of computer storage and related products which came to the market last month, has completed the acquisition of new premises, as anticipated at the time of flotation, for about £1.6m cash. The office and warehouse space is in New Malden, Surrey.

John Waddington

The £42m rights issue by John Waddington, [illegible] packaging, [illegible] and games company, has been taken up in respect of 21.7m shares, or 94.2 per cent.

The 2-for-7 issue was made to [illegible] Fl [illegible] (£42.3m) purchase [illegible] Beheer, [illegible] privately-owned Dutch cartons [illegible].

TT/Dale

TT Group's [illegible] wholly [illegible].

TT [illegible] acceptances in respect [illegible] a [illegible] shares, [illegible] of the equity. [illegible] had [illegible] received [illegible] respect [illegible] shares.

Sage

Sage Group, the accounting software company, is acquiring Timeslips Corporation, a Massachusetts-based software supplier, for up to $12.1m (£7.8m) cash. There is an initial $5.1m and a sales related payment of up to $7m.

Unitech

Mr [illegible] Curry, [illegible] of Unitech, saw his [illegible] package rise from £190,000 to £262,000 last year following an 88 per cent increase in profits [illegible] components group.

Although Mr Curry's [illegible] salary and [illegible] virtually unchanged [illegible] £153,000, [illegible] received [illegible] additional [illegible] in performance [illegible] payments. The group's annual report [illegible] showed that his pension [illegible] to [illegible] (£38,000).

In the year [illegible] 31, Unitech's pre-tax [illegible] climbed to [illegible] (£10.5m).

Alliance/Castle

Alliance UK, part of the Alliance Entertainment Corporation of the US, has declared its [illegible] Communications wholly unconditional.

By [illegible] closing [illegible] on August 19, Alliance had [illegible] valid acceptances in [illegible] of [illegible] shares, representing [illegible] of the shares in issue.

The offer will remain open until further notice.

World Fluids

[illegible] Fluids [illegible] raising [illegible] £1.9m via a placing [illegible] open offer [illegible] nine ordinary held [illegible] 7.6p.

[illegible] specialist [illegible] and [illegible] maker which [illegible] the market late [illegible] following a reverse [illegible] by Kells Minerals, the Dublin-based exploration company, [illegible] would provide [illegible] with sufficient working [illegible] fund and [illegible] and [illegible] with [illegible]flow problems.

The company said its Libyan debt problems [illegible] resolved.

National Transcom

National Transcommunications, the privatised former transmission and engineering arm of the old Independent Broadcasting Authority, has appointed Mr Andrew [illegible]waty as its [illegible].

Mr Sukawaty, currently [illegible] operating [illegible] of Mercury One-2-One, replaces Mr John Forrest [illegible] is [illegible] NTL's deputy chairman.

The company is believed to be preparing for a stock market flotation.

Drew Scientific

Problems [illegible] with [illegible] Glycomat [illegible] equipment had been entirely corrected, Mr Bill Fulton, [illegible] of Drew Scientific, [illegible] the annual meeting and shipments had [illegible] in the [illegible].

COMMODITIES AND AGRICULTURE

Copper under renewed pressure

By Richard Mooney

Copper prices came under [illegible] [illegible] at the London Metal Exchange yesterday [illegible] last week's failure to break overhead resistance.

The three months delivery price, which last Thursday had briefly flirted with levels above $2,430 a tonne, [illegible] yesterday's late afternoon ring trading session at [illegible] a tonne, [illegible] $15.50 from Friday. And the selling continued in after hours trading, when the price broke through resistance around [illegible] to touch $2,374, [illegible] [illegible] since August 4.

Many [illegible] believe the copper market will have to [illegible] tle into a lower trading [illegible] until the end [illegible] the northern hemisphere summer, when reduced industrial activity keeps demand for the metal low. They will be watching today's LME warehouse stocks report for some indication a resumption of physical activity; after a long decline stocks began rising at the start of this month, since which they [illegible] gone up 4.5 per cent.

Other LME [illegible] held relatively steady. Notable [illegible] [illegible] was aluminium, which [illegible] at $1,487 a tonne, [illegible] just [illegible] on the day, despite disappointment with the latest [illegible] [illegible] production figures from the International Primary Aluminium Institute [illegible].

Traders had been hoping that the figures, for July, would show that multilaterally agreed output cuts were still eating into stocks of the metal, which remain excessively high. But at 38,000 tonnes a day July production [illegible] unchanged from June (though 2,100 [illegible] July, [illegible]).

"One [illegible] figure does not [illegible] [illegible] have finished," one analyst [illegible] Reuters, "but we will have to watch the situation closely."

Aluminium [illegible] watchers have been warning that current price [illegible] – 30 [illegible] up [illegible] – could discourage some producers from curbing output.

Bull market forecast to resume in October

By Kenneth Gooding, Mining Correspondent

Copper's bull market has some way to run and prices [illegible] likely [illegible] peak at above $1.20 a pound ([illegible] a tonne) in the first half [illegible] [illegible], suggests the Bloomsbury Minerals Economics consultancy organisation.

The [illegible] [illegible] surplus copper stocks [illegible] depress prices later this month and September to [illegible] $1- to $1.05-a-pound range [illegible] [illegible] $2,314 a tonne), [illegible] they are likely to start firming again in October.

[illegible] will not [illegible] until the second half of 1995 that the copper market will [illegible] a slight supply surplus again, "signalling the probable end [illegible] the [illegible] phase," BME [illegible] in its [illegible] Copper Briefing [illegible] newsletter.

Mr Peter [illegible]lands, the editor, points out [illegible] western world copper consumption is on track for a [illegible] or 5.5 to [illegible] per cent increase this year – to 9.635m tonnes – and one of 350,000 tonnes, or 3.5 to [illegible] per cent, in 1995.

Compared with that, western world copper output [illegible] be expected to slip by [illegible] [illegible] or 0.5 per cent to [illegible] [illegible] this year [illegible] a [illegible] increase in [illegible] American output will be [illegible] than offset by falls in Japan and Europe [illegible] by short[illegible] of custom [illegible] and blister (intermediate materials). Next [illegible], however, western [illegible] production [illegible] set to grow by about 500,000 tonnes or 5.5 to 6 per cent.

Even though net imports from [illegible] [illegible] [illegible] bloc [illegible] can [illegible] expected [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] tonnes, there will [illegible] [illegible] a supply [illegible] of [illegible] [illegible] [illegible] 1994, [illegible] [illegible]. It [illegible] the [illegible] [illegible] fall to [illegible] [illegible] in [illegible].

However, in the first half of [illegible] a deficit of [illegible] [illegible] [illegible] [illegible] [illegible] and, [illegible] a result, by mid-year [illegible] [illegible] will fall [illegible] just under [illegible] [illegible] – equivalent to only 5.3 weeks of consumption.

Copper Briefing Service: [illegible] or [illegible] a [illegible] from [illegible] [illegible] [illegible] Street, London WC1N 1AB, [illegible]

Norilsk problems seen hitting Russian nickel sales

By Kenneth Gooding

Problems [illegible] Norilsk, [illegible] world's biggest nickel producer, [illegible] likely [illegible] [illegible] [illegible] [illegible] exports of the [illegible] to [illegible] west to fall [illegible] [illegible] [illegible] tonnes this year, a 14 [illegible] drop [illegible] the [illegible] [illegible] expected [illegible] [illegible] begining of [illegible], according [illegible] Mr Jim Lennon, analyst [illegible] Macquarie Securities, part [illegible] the Australian banking group.

There was a two-day strike [illegible] Norilsk earlier [illegible] month [illegible] [illegible] persistent non-payment [illegible] salaries, Mr Lennon points [illegible]. There [illegible] [illegible] that Norilsk is being starved [illegible] cash [illegible] [illegible] routine maintenance because [illegible] [illegible] government is taking [illegible] [illegible] [illegible] [illegible] profit [illegible] nickel in [illegible] and all Norilsk's platinum [illegible] [illegible] profits.

The recently-privatised Norilsk still [illegible] [illegible] workforce [illegible] [illegible] (£45m) and the [illegible] [illegible] that the city [illegible] Norilsk [illegible] [illegible] 2,000bn [illegible] repair [illegible] infrastructure.

Mr Lennon recalls that the [illegible] [illegible] in the [illegible] was tipped [illegible] a [illegible] supply surplus by Russian exports [illegible] [illegible] from 70,000 [illegible] in 1988 to a peak of 160,000 [illegible] (including secondary, or recycled, material) in [illegible]. [illegible] [illegible] [illegible] [illegible] nickel stocks in the west [illegible] by nearly [illegible] tonnes, most [illegible] [illegible] [illegible] accumulating [illegible] Russian cathode in London [illegible] Exchange warehouses.

This forced down prices [illegible] an all-time low [illegible] [illegible] [illegible] of $1.82 a lb at the end of September last year. Since then, prices have [illegible] despite a continued rise in stocks [illegible] of money pouring [illegible] [illegible] [illegible] [illegible] from investment funds.

Mr Lennon [illegible] [illegible] [illegible] [illegible] tonnes of Russian nickel, which had been stockpiled in Russia during the winter, arrived in [illegible] [illegible] in July [illegible] August. Only 6,000 [illegible] found [illegible] [illegible] [illegible] [illegible] [illegible] houses and the rest is assumed to have [illegible] directly to end-users, [illegible] [illegible] been stockpiled, possibly as [illegible] [illegible] [illegible].

Demand in [illegible] [illegible] for [illegible] – [illegible] primarily [illegible] [illegible] production [illegible] [illegible] steel – [illegible] growing strongly [illegible] consumption [illegible] forecast by Mr Lennon [illegible] [illegible] by 6.7 [illegible] [illegible] to713,000 tonnes this [illegible] and [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] 776,700 [illegible] [illegible] [illegible].

However, [illegible] [illegible] price [illegible] [illegible] encouraged [illegible] producers [illegible] increase output [illegible] [illegible] predicts [illegible] production will [illegible] by [illegible] per cent this year to 589,300 tonnes and next year climb [illegible] [illegible] [illegible]. Once imports from the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] account, [illegible] [illegible] leave the western market with a small deficit this year but one of [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

Mr [illegible] [illegible] three [illegible] delivery [illegible] prices [illegible] the LME rising [illegible] [illegible] a pound ($6,612 a tonne) by the year-end to give a 1994 average price of $2.65 ($5,840), rising [illegible] [illegible] average of $3.30 ($7,273) next year.

Business as usual for rubber pact

Rubber producers did [illegible] renew [illegible] [illegible] higher reference prices at [illegible] International [illegible] [illegible] Organisation meeting here yesterday, leaving the group [illegible] [illegible] [illegible] rubber at current prices, officials said, reports Reuters from Kuala Lumpur.

Mr Aldo Hofmeister, Inro's outgoing buffer [illegible] manager, said its executive council met and decided to continue with current buffer stock sales [illegible] changing [illegible] reference price.

"The executive council has decided to continue selling," he said after the [illegible] [illegible] the [illegible] [illegible] meeting. Most of [illegible] 26 members [illegible].

Inro began [illegible] [illegible] its 220,000-tonne buffer [illegible] on July 8 after world prices spiralled to 6-year highs.

The group has sold [illegible] of [illegible] stockpile, except [illegible] unspecified amounts in [illegible] [illegible] [illegible] British warehouses, [illegible] [illegible] disposals have failed to cool the world market.

Mr Hofmeister said the option to revise the reference prices, [illegible] guide [illegible] buffer stock manager in buying or selling, was mentioned but not discussed.

"All three options of [illegible] suspending, reviewing the [illegible] of sales or revising [illegible] reference price were brought up but the council decided on the [illegible] quo," [illegible] [illegible].

Producing [illegible] have [illegible] [illegible] higher reference prices – an issue holding up [illegible] for a [illegible] price stabilisation pact, [illegible] [illegible] Natural [illegible] Agreement III.

The second round of talks to to negotiate Inra III will be held in Geneva from October 3 to 14.

Several delegates who attended Monday's meeting said none [illegible] [illegible] delegates [illegible] the producing [illegible] discussed the reference price issue.

"The producers [illegible] [illegible] [illegible]isfied with [illegible] price as it is," one delegate said.

Iron ore market expected to build on recent recovery

By Frances Williams in Geneva

[illegible] recovery in the world iron [illegible] [illegible] that [illegible] [illegible] year [illegible] up strength in 1994 [illegible] should [illegible] [illegible] [illegible], according [illegible] the United [illegible] [illegible] on Trade [illegible] Development.

[illegible] says next year should see the long-awaited reversal [illegible] three successive [illegible] [illegible] declining iron ore prices.

World iron ore exports rose by nearly [illegible] [illegible] [illegible] to [illegible] [illegible] [illegible] [illegible] leading to a [illegible] [illegible] in exporters' stocks, while global iron ore output rose by [illegible] per [illegible] [illegible] [illegible] tonnes. The stimulus from [illegible] booming [illegible] economy [illegible] than offset a sharp drop in mining [illegible] steel-making in [illegible] former Soviet Union, the report notes.

China imported more than [illegible] [illegible] of steel [illegible] year, boosting [illegible] output (and [illegible] iron ore consumption) in all [illegible] main steel-exporting nations. Iron ore imports also soared, by 30 per cent, confirming China's position [illegible] the [illegible] [illegible] dynamic market for current and [illegible] iron ore demand.

Already the largest iron ore producer, China mined 225m tonnes last year, an increase of nearly 15 per cent [illegible] 1992. However, domestic production [illegible] only 70 per cent [illegible] the country's needs. Unctad points out. China's iron ore consumption rose 16.6 per cent to 258m [illegible] in 1993 [illegible] [illegible] [illegible] a quarter of the world total.

Unctad [illegible] that world iron [illegible] [illegible] remained [illegible] in the first half of 1994, propelled by even faster growth of Chinese demand, smaller than expected declines in Japan and accelerating economic recovery in most other regions. It expects "a significant upsurge" in global steel and iron ore demand in [illegible] which "augurs well for the recovery of iron ore prices".

Prices have come under pressure from [illegible] consuming countries on the one hand and from strong competition among suppliers on the other, threatening the profitability of the industry and especially high-cost producers. However, Unctad says falling prices have not dissuaded the industry from investing in replacement and additional capacity.

Review of [illegible] Current Situation and Outlook for Iron [illegible] [illegible] (TD/B/CN.1/iron ore/13). Available from Unctad, Palais des Nations, CH 1211 Geneva [illegible]

European coal outlook bleak

By Frances Williams

A bleak outlook [illegible] coal in Europe in [illegible] coming [illegible] but buoyant [illegible] in [illegible] [illegible] [illegible] in [illegible] [illegible] predicted by [illegible] United [illegible] Economic Commission for Europe in its latest annual report on [illegible] [illegible] [illegible] market.

World [illegible] use, production [illegible] trade [illegible] in [illegible], [illegible] a result, overwhelmingly, [illegible] big [illegible] [illegible] Europe, which [illegible] expected [illegible] continue [illegible] year and for the [illegible] future, the report says.

[illegible] [illegible] output dropped by 1.8 [illegible] [illegible] [illegible] year [illegible] 3.43bn tonnes, production in [illegible] European [illegible] slumped by 13.2 per cent [illegible] in central and eastern Europe by 8.9 per cent.

At [illegible] 10,000 EU coal mining jobs will be shed [illegible] 1994 [illegible] [illegible] [illegible] [illegible] likely to go in [illegible] [illegible] Soviet bloc countries over [illegible] [illegible] 10 years, according to [illegible] [illegible].

"It is a tragic predicament that, in spite of constantly increasing productivity, the underground [illegible] difficult coal mining in Europe will not be [illegible] [illegible] [illegible] the competitiveness [illegible] [illegible] [illegible] [illegible] coal can be mined [illegible] [illegible] [illegible] easily," [illegible] [illegible] comments.

[illegible] contrast, further strong growth in [illegible] [illegible] output [illegible] predicted for [illegible] main [illegible] [illegible] and producing countries in Asia, which now account for well [illegible] 40 per cent of the world market. China alone is expected to boost output by 250m [illegible] by the turn of the century. Australia and Indonesia [illegible] readying [illegible] increase coal exports by [illegible] [illegible] [illegible] over the [illegible] period, the report [illegible].

Nevertheless, [illegible] ECE cautions that [illegible] need to reduce carbon dioxide [illegible] [illegible] curb global warming could lead [illegible] coal being challenged by more environmentally friendly [illegible] worldwide.

The Coal [illegible] in the [illegible] region [illegible] [illegible] and [illegible] [illegible] Prospects for Coal. Available from the UN Economic Commission for Europe, Geneva.

Market Report

London coffee futures rally strongly

London [illegible] futures rallied in thin trading following a sharp [illegible] in New York [illegible] well [illegible] industry and arbitrage buying.

[illegible] [illegible] [illegible] [illegible] November position stood [illegible] $3,414 a tonne, up [illegible].

COCOA [illegible] lower [illegible] technical selling [illegible] a [illegible] in [illegible] New York [illegible].

Compiled [illegible] [illegible]

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1457-8	[illegible]
Previous	[illegible]	1489-90
High/low		1489/1483.5
AM Official	1459-60	1487-88
Kerb close		1485-6
Open int.	278,006	
Total daily turnover	37,209	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1515-20	1535-40
Previous	1535-45	1550-60
High/low		1555/1540
AM Official	1515-20	1535-40
Kerb close		1535-40
Open int.	2,795	
Total daily turnover	405	

■ LEAD ($ per tonne)

Close	564-5	582-3
Previous	563-5	580-2
High/low	566.5	587/580
AM Official	566.5-7.0	584.5-5.0
Kerb close		585-6
Open int.	40,234	
Total daily turnover	9,101	

■ NICKEL ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	5690	5810/5730
AM Official	5690-95	5790-5
Kerb close		5795-800
Open int.	56,954	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

Close	5180-85	5260-65
Previous	5145-55	5220-40
High/low	5175	5265/5190
[illegible]	5170-5	5251-5
[illegible]		5260-55
Open int.	17,271	
Total daily turnover	4,884	

■ ZINC, special high grade ($ per tonne)

Close	940.5-1.5	964.5-6.0
Previous	[illegible]	963-4
High/low		966/961
AM Official	938-9	963.5-4.0
Kerb close		964[illegible]
Open int.	100,246	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	2376/2375	2402/2384
AM Official	2376-7	2392-3
Kerb close		2383-4
Open int.	212,299	
Total daily turnover	51,086	

■ LME AM Official £/$ rate: 1.5476
LME Closing £/$ rate: 1.5512

Spot:1.5517 3 mths:[illegible] [illegible] 9 mths:1.5442

■ HIGH GRADE COPPER (COMEX)

	[illegible]	Day's change	High	Low	Open int	Vol
Aug	107.05	-1.55	107.10	107.00	209	44
Sep	106.70	-1.70	108.20	106.60	17,988	3,465
Oct	106.80	-1.60	107.90	107.90	608	28
[illegible]	[illegible]	[illegible]	107.20	107.20	[illegible]	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18,294	2,466
Jan	[illegible]	-1.45	-	-	378	-
Total					[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.50-382.90	
Opening	381.70-382.10	
Morning fix	381.60	246.432
Afternoon [illegible]	382.60	247.078
Day's High	383.00-383.40	
Day's [illegible]	381.40-381.80	
[illegible]	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.25	6 months	4.52
2 months	4.28	12 months	4.89
3 months	4.31		

Silver Fix	p/troy oz.	US cts equiv.
Spot	337.85	522.65
3 months	342.15	528.80
6 months	347.10	535.80
1 year	359.90	552.05
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	386-389	249-252
Maple Leaf	393.20-395.65	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
[illegible]	381.7	-0.2	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	-	-	200	377
[illegible]	383.3	-0.2	385.0	383.1	[illegible]	331
[illegible]	386.7	-0.2	[illegible]	385.9	[illegible]	[illegible]
Feb	390.0	-0.2	391.1	[illegible]	12,965	160
[illegible]	[illegible]	-0.2	-	-	6,285	12
Total					167,331	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]	414.8	-2.4	418.9	413.0	[illegible]	1,110
[illegible]	417.8	-2.4	421.5	417.0	[illegible]	165
[illegible]	421.0	-2.4	423.0	[illegible]	1,887	3
[illegible]	[illegible]	-2.4	[illegible]	428.0	451	-
Oct	425.5	-2.4	-	-	103	-
Total					[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]	154.20	-2.20	[illegible]	[illegible]	2,817	[illegible]
[illegible]	154.80	[illegible]	158.00	[illegible]	4,113	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50
Total					[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Aug	[illegible]	[illegible]	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	526.7	[illegible]	[illegible]	525.5	39,062	[illegible]
Jan	531.0	-0.1	532.5	531.5	34	-
Mar	536.6	-0.1	541.5	533.5	7,234	192
[illegible]	541.9	-0.1	[illegible]	545.5	2,932	6
Total					[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	[illegible] price	Day's change	High	Low	Open int	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	-0.17	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	-0.12	[illegible]	[illegible]	[illegible]	[illegible]
Jan	17.43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	17.42	-0.05	17.47	[illegible]	17,553	2,024
Total					401,913	128,[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	15.78	-0.52	16.46	15.75	[illegible]	[illegible]
[illegible]	15.91	-0.39	16.50	15.88	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,011
Jan	[illegible]	-0.50	[illegible]	15.85	[illegible]	482
Feb	16.07	-0.24	16.39	[illegible]	[illegible]	[illegible]
Mar	16.13	-0.16	[illegible]	[illegible]	[illegible]	-
Total					134,[illegible]	30,279

■ HEATING OIL NYMEX (42,000 US [illegible]; c/US [illegible])

	Latest price	Day's change	[illegible]	Low	Open int	[illegible]
Sep	47.75	-0.28	48.50	47.60	21,997	[illegible]
Oct	48.40	-0.37	49.15	48.20	30,105	[illegible]
[illegible]	49.50	-0.32	[illegible]	[illegible]	[illegible]	4,229
Dec	50.50	[illegible]	[illegible]	50.30	[illegible]	[illegible]
Jan	51.30	-0.27	[illegible]	51.00	17,251	2,115
Feb	51.60	-0.27	51.95	[illegible]	[illegible]	695
Total					[illegible]	[illegible]

■ GAS OIL IPE [illegible]

	Sett price	[illegible] change	High	Low	Open int	Vol
[illegible]	144.50	[illegible]	150.50	[illegible]	[illegible]	8,191
[illegible]	148.50	-5.50	154.00	148.25	[illegible]	[illegible]
Nov	150.75	-5.75	[illegible]	150.50	11,303	[illegible]
Dec	[illegible]	-6.00	156.00	[illegible]	[illegible]	1,592
Jan	154.25	-6.00	[illegible]	[illegible]	10,349	[illegible]
Mar	153.50	-6.00	158.00	158.00	[illegible]	1,144
Total					104,425	18,157

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest [illegible]	Day's [illegible]	[illegible]	Low	Open [illegible]	Vol
Sep	1.639	[illegible]	[illegible]	1.625	14,134	[illegible]
[illegible]	1.740	-0.032	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1.950	[illegible]	[illegible]	1.935	[illegible]	4,122
Dec	2.145	[illegible]	2.165	2.135	20,420	3,134
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	2.115	-	2.125	2.105	8,710	[illegible]
[illegible]					143,165	47,191

■ UNLEADED [illegible]
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	52.35	-1.85	54.41	52.25	28,081	22,885
Oct	49.85	-1.35	51.35	49.80	22,640	12,735
Nov	48.35	-0.80	49.40	48.35	15,003	4,267
Dec	54.60	-0.40	55.15	54.50	8,232	939
Jan	53.60	-	53.85	53.85	3,504	474
Feb	52.60	-0.35	53.25	52.90	2,515	156
Total					77,955	41,[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	-	[illegible]	104.75	363	38
Nov	105.45	-	104.60	[illegible]	2,279	73

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1024	-17	1036	[illegible]	9,655	1,545
Dec	1054	-20	1063	1052	27,754	2,756

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs, cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	67.375	-1.400	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	-1.500	[illegible]	70.200	23,175	4,714

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct) +or-

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

Tea

The Tea Broker's Association reports, there was again good general demand. Brightest and good medium East Africans sold well at about firm rates. Medium Kenyas were a strong feature and prices often advanced 2 to 3 pence. Plainer descriptions were irregularly easier. Brighter Ceylons met keen competition at much dearer rates. Plainer types were about steady. Brighter Kenyas gained several pence while plainer Ugandas were neglected. Quotations: best available 188p/kg. nom, good 150p/kg., good medium 140p/kg., medium 122p/kg., low medium 80p/kg. The highest price realised this week was 186p for a Kenya pf.1.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

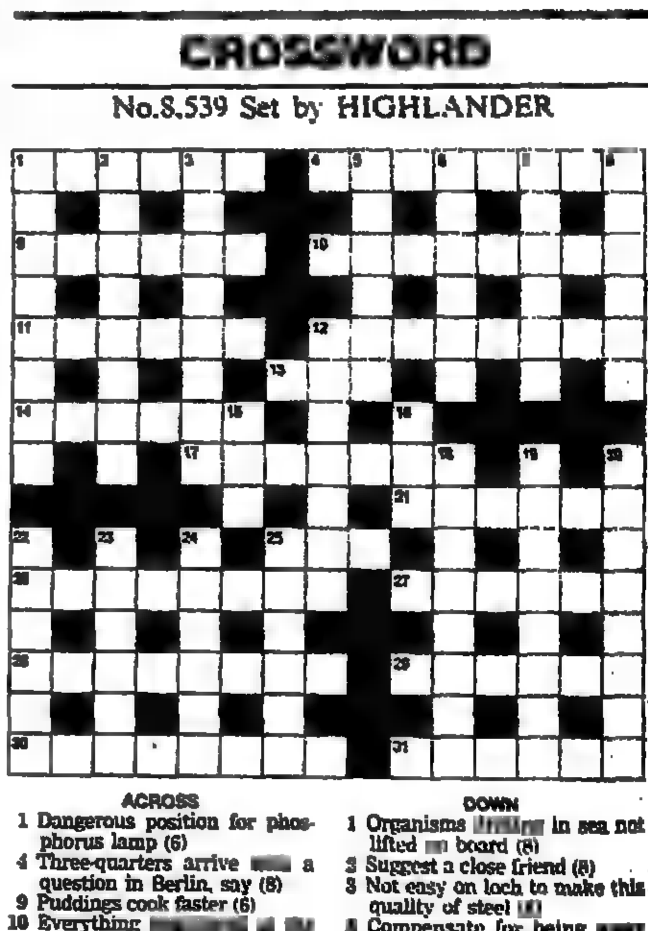
Aug 22	Aug 19	month ago	year ago
[illegible]	2071.9	2146.4	1613.5

■ CRB Futures (Base: 1967=100)

Aug 19	Aug 18	month ago	year ago
229.77	230.00	233.08	215.13

CROSSWORD

No.8,539 Set by HIGHLANDER



ACROSS

1 Dangerous position for phosphorus lamp (6)
4 Three-quarters arrive [illegible] a question in Berlin, say (8)
9 Puddings cook faster (6)
10 Everything [illegible] [illegible] [illegible] very [illegible] [illegible]
11 Kipling hero put on [illegible] oriental garment (6)
12 Famous person with no heart for speed (8)
13 Was in session for a day (3)
[illegible] To be wrong about America is stupid (6)
17 Leaving party with dispatch from [illegible] field (4,3)
21 Singer's bet at the races [illegible]
25 The man to send up a rope (3)
26 American writer caught animal trainer with specialist dealer (8)
[illegible] Almost all officer types (6)
[illegible] Anticipate possibility [illegible] Europe's national [illegible] using imagination (8)
29 Able with new order to contain race conflict (6)
[illegible] Mind-reader is way [illegible] [illegible] box, they [illegible] (8)
[illegible] Coming with publicity release (6)

DOWN

1 Organisms [illegible] in sea not lifted [illegible] board (8)
2 Suggest a close friend (8)
3 Not easy on loch to make this quality of steel [illegible]
[illegible] Compensate for being [illegible] from the group (6)
6 Old copper could take off Murphy's skin (6)
7 Help at school to erect sports arenas (6)
8 Puts down again in stages (6)
12 Preserved for an audience by our openness (7)
15 Fish shelter has turned up (3)
[illegible] Several inches behind (3)
18 Authority [illegible] act without using guiding [illegible] (4,4)
19 Missing person's tea's been drunk (8)
20 Taking years to go over books is self-indulgent (8)
22 A way of speaking with emphasis (8)
23 It's a wonder half the parch[illegible] [illegible] [illegible] [illegible] (6)
[illegible] Take drink after a [illegible] cleric combined totals (4,2)
25 Become [illegible] and [illegible] one's [illegible] (3,3)

Solution to Saturday's prize puzzle on Saturday September [illegible]
Solution to yesterday's prize puzzle on Monday September [illegible]

هكذا في الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 fails to hold on to early gains

By Steve Thompson

The London equity market market launched another determined attack on the 3,200 level on the FT-SE 100 index. But, as with previous recent attempts, it was rebuffed and the index finished the session weaker after suffering a sharp [illegible]ne in mid-afternoon.

At the close the FT-SE index was 20.1 lower at 3,171.3, while [illegible]e FT-SE Mid 250 index, bolstered by another strong performance by many utility stocks, ended 4.1 off at 3,749.8.

Once again it was a sharp s[illegible]-off in international bonds that trig[illegible] a reversal in equities, although there were plenty of reasons for taking short-term profits in UK equities, dealers said. They also pointed out that the UK equity market had outperformed its European counterparts for much of the day reflecting sizeable switching [illegible] the Continent.

London was badly affected by a [illegible] upward revision of Gross Domestic Product for the second quarter which revived worries in London that the economy may need to be restrained in order to choke [illegible] inflationary pressures.

Earlier, the trading session begun with the equity market in good form. Marketmakers [illegible] prices [illegible] the outset, with the FT-SE [illegible] almost seven points ahead at the opening and looking to go better as gilt-edged stocks made progress.

However, the GDP figure and a sudden sharp fall in German bunds caught the market on the hop, and a near 10-point rise around 9.00am [illegible] transformed into [illegible] near-10 point fall within an hour. The next downward lurch occurred as Wall Street opened sharply [illegible] and 16 points down, before staging [illegible] moderate rally.

The FT-SE 100 hit [illegible] day's low point of 3,164.7, down 26.7, shortly after US markets opened but then stabilised as cheap buyers emerged.

Senior dealers expressed no real surprise [illegible] the market's decline, pointing to the relatively low level [illegible] activity in London where turn[illegible] came out [illegible] 499.1m shares, well [illegible] on [illegible]. Non-FT-SE stocks accounted for almost 62 per cent of turnover in equities.

Customer business was also said to have suffered yesterday and was expected to come in lower than last Friday's 1.27bn figure.

Market strategists were u[illegible] over the GDP numbers. One said that although economic growth was strong there were definite signs that inflationary [illegible] were increasing. "The details mean that second quarter profits will be better than the market [illegible] currently looking for and could [illegible] mean there will be a shift out of bonds, where the market will fret about inflation, and into equities, " said one market observer.

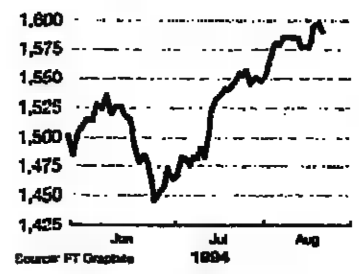
A senior trader at one of the UK integrated securities houses said that while the London market felt [illegible] and that there had been no real selling [illegible]sure, he was concerned [illegible] the [illegible] of support from London institutions when the big European markets fell away.

The banking sector provided the FT-SE 100's b[illegible]t individual performer in [illegible] analysts were predicting a strong chart break-out and forecasting a short term level of 510p. NatWest's potential outperformance would come at the expense of Barclays and HSBC, it was said.

[illegible] again heavily traded with Smith [illegible] Court said to have been recommending [illegible] from selective electricity stocks [illegible] water shares.

Nikko, the Japanese-owned stockbroker said it was hard to see what [illegible] inspire the market in the short term, with no important economic data this week to inspire or deter the market. The broker did point out, however, that the market has been boosted of late by bid rumours and that a cash bid in the FT-SE 100 would provide the momentum for the FT-SE [illegible] b[illegible] through the 3,200 level.

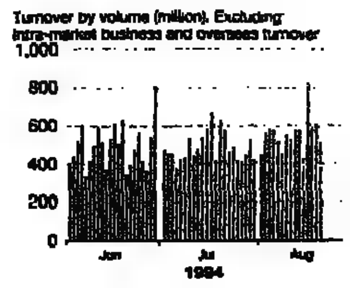
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	[illegible]	-20.1	FT Ordinary index	[illegible]	-10.4
FT-SE Mid 250	3749.8	-4.1	FT-SE-A Non Fins p/e	[illegible]	(19.85)
FT-SE-A 350	1603.0	[illegible]	FT-SE 100 Fut [illegible]	3183.0	[illegible]
FT-SE-A All-Share	1590.67	[illegible]	10 yr Gilt yield	[illegible]	(8.75)
FT-SE-A All-Share yield	[illegible]	(3.74)	Long gilt/equity yld ratio:	[illegible]	[illegible]

[illegible] performing [illegible]

1. Water ..... +1.5
[illegible] Other Services & Bsns ..... +0.9
[illegible] Merchant Banks ..... +0.5
4 Building & Construc ..... +0.2
[illegible] Gas Distribution ..... +0.0

Worst performing sectors

1. Tobacco ..... -1.6
2. Electronic & Elec Eqpt ..... -1.4
3. Telecommunications ..... -1.4
4. Transport ..... -1.1
5. Life Assurance ..... -1.0

Glaxo up on talk of US link

Pharmaceuticals giant Glaxo Holdings resisted the market's nervousness as the legacy of US buying at the end of last week was helped by support ahead of figures in a fortnight and takeover optimism.

Reports in the Sunday press [illegible] was [illegible] link with PCS, [illegible] pharmacy benefits management company recently acquired by Eli Lilly [illegible] an early lift [illegible] the stock which was up 11 at best.

This was further helped by optimism over the full-year dividend. Pharmaceuticals analyst Mr Robin Gilbert of Panmure Gordon spoke at the morning meeting and argued that the company would announce a second-half dividend of 18p this year against 15p last year, giving 27p for the full year.

Glaxo is set to announce its figures for the year to June on September 8 and expected to publish profits of around £1,850m against £1,675m [illegible]. The shares ended the day 3 better at 639p.

Milk concerns

Shares in Unigate and Northern Foods, two of the UK's leading dairy producers, eased after both groups issued profits warnings as a row about government plans to deregulate the milk industry moved into the public domain.

Speaking as part of the Diary Trade Federation, both companies said current profits would [illegible] hit by [illegible] and £15m respectively on signing up [illegible] supply con[illegible] with Milk Marque, the successor to the Milk Marketing Board.

The [illegible] due [illegible] take effect in November and both companies said they [illegible] reluctant to sign the deals as they [illegible] lower profits, job cuts [illegible] price rises. The DTF said yesterday it was seeking Judiciary revue over the government's handling of the programme.

Unigate gave up 8 to 374p, in [illegible] of 2.2m [illegible] Northern relinquished 6 to 216p, on vol[illegible] of 4.8m. Several brokers [illegible] they were considering downgrading current-year profits estimates by the stated fig[illegible].

Mr Carl Short at Strauss Turnbull said: "The possibility of farmers creaming off higher profits, partly [illegible] the expense of consumers could lead the government [illegible] consider setting up a regulatory body to oversee Milk Marque policy."

Newspapers up

The beginning of the end of the newspaper price war hove in sight as the Sun raised its cover price and the rest of the sector breathed a sigh of relief and saw their share prices respond accordingly.

Some [illegible] hardened publishing analysts suggested [illegible] decision by Mr Murdoch's flagship tabloid [illegible] lift its price by by 10 per cent to [illegible] cynically timed [illegible] soften [illegible] Corp's full year figures tomorrow. The company is expected to announce profits of [illegible] (£134.2m) against A$360.5m last time and much of the hit will have come from the Sun and Times price [illegible].

Daily Mail Group bounced 10 [illegible], Mirror Group [illegible] 145p and Daily Express parent United Newspapers 4 to 547p. However, The Telegraph fell 10 to 368p. S.G. Warburg consider 359p as [illegible] price for [illegible] stock following the group's hit from its price cut in June.

Water stocks performed [illegible] as one securities house was said to be recommending them as an income fund play in preference to some regional electricity companies.

Smith New Court was mentioned as the motor behind the price [illegible] although [illegible] specialists said their influence was exaggerated. Nevertheless the leading water stocks stood out and some analysts pointed out that Anglian, which rose 10 to 567p was now well in line for a return to the FT-SE 100. Meanwhile Thames improved 8½ to 545p, Severn [illegible] 5 to 598p and North West 8 [illegible] 577p.

The [illegible] mixed with [illegible] Electricity dipping 7½ to [illegible] and London 3 [illegible] 702p. There was also some switching [illegible] which held firm [illegible] and [illegible] the most heavily traded stock in London [illegible] shares traded. [illegible] shortage of [illegible] and some early [illegible] saw a very [illegible] spate of "backwardation", the situation where bid and offer prices are reversed.

A weak oil price and reports of [illegible] breakdown at its strike-hit plant in Nigeria affected Shell Transport in early trading. The shares were down 10 at [illegible] and recovered to close 7 weaker [illegible] 714p.

Industrial group Charter advanced 15 to 770p, after it [illegible] for Esab, [illegible] welding equipment group, and also declared the offer unconditional.

Defence electricals group GEC gave up 8 to 194p as talk [illegible] company [illegible] lining [illegible] acquisition [illegible] rounds in the market. Dealers [illegible] the decline to general profit taking following [illegible] week's strong advance, prompted by talk of a bid from industrial [illegible] BTR [illegible] has now faded. BTR ended the session 2 ahead at 378p.

The prospect of new orders from the Middle East cheered engineering group GKN. [illegible] shares added 2 to 828p.

A stock overhang depressed [illegible] and the shares eased 13 to 502p. Thorn EMI was firm ahead of today's first quarter [illegible]. The shares hardened a penny to 1063p.

Stores group [illegible] trailed 7 to 229p following neg[illegible] comment on payment. Lloyds Chemist closed unchanged at 304p, after Goldman [illegible] at [illegible]p.

Channel tunnel operator Eurotunnel [illegible] 14 [illegible], after a weekend [illegible] report [illegible] it might [illegible] prices on travelling through the tunnel. The prospect of [illegible] Channel competition weakened ferry operator P&O 10 [illegible] 688p. Negative press comment [illegible] director's pay at Tiphook left the shares 3 lighter at 32p.

Building and construction stocks were [illegible] in thin trade ahead of [illegible]. AMEC, which reports in early September, closed 3 up at 115p following a recommendation from [illegible] Tilbury Douglas fell [illegible] to 591p. Shares in Brandon Hire gained [illegible] 84p making [illegible] of 35 per cent in under four weeks.

Marley, [illegible] components group, is forecast to provide the first important pointer to the [illegible] performance with [illegible] row's interim profits. The shares were steady at 155p.

A return to profit and [illegible] announcement by chemicals group MTM of the first dividend for three years [illegible] the share price recover 6 to 85p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Saqib Qureshi.

■ Other statistics, Page 31

NEW HIGHS AND LOWS FOR [illegible]

NEW HIGHS (93).
BUILDING & CNSTRN (2) Brandon Hire, Sherif, BLDG MATLS & MCHTS (1) Shaw (A), CHEMICALS (1) MTM, DIVERSIFIED INDLS (2) Porter Chadburn, Wolsecroft, ELECTRICITY (3) East Midlands, Midlands, Southern, ELECTRNC & ELECT EQUP (1) Nova Prf., ENGINEERING (2) Ransomes, Sterling, ENG, VEHICLES (1) Boxtom, EXTRACTIVE INDS (12) Anglo Am. Coal, Anglo Am. Gold, Coal Invs., Do Wrts., Driefontein, Elandsrand, [illegible], Glencar, Kloof, Malaysia, Waverley Mng, [illegible], Willoughby's, FOOD MANUF (1) Barr (AG), HOUSEHOLD GOODS (1) Denby, INVESTMENT TRUSTS (16) INVESTMENT COMPANIES (1) World Tst. Wrts., LEISURE & HOTELS (5) Boosey & Hawkes, Bristol Scotts, Chrysalis, Hozelock, Tottenham Hotspur, OIL [illegible] & PROD (1) Ramco Energy, OTHER SERVS & BUSNS (1) Plansbrook, PRTNG, PAPER & PACKG (5) Capital Inds., Enso-Gutzeit, Kymmene, RETAILERS, GENERAL (4) Etam, French Connection, Next, Vendome Luxury, SPIRITS, WINES & CIDERS (1) Macallan-Glenlivet, SUPPORT SERVS (4) Corporate Services, Hestal Whong, Manpower, Rolfe & Nolan, TEXTILES & APPAREL (2) Bridport-Gundry, Hicking Pentecost, TRANSPORT (1) GRT Bus, SOUTH AFRICANS (1) SASOL.
NEW LOWS (38).
BANKS (1) Standard Chrtd. 7¾pc Prf., BUILDING & CNSTRN (2) Eve, Tilbury Douglas, BLDG MATLS & MCHTS (8) Hewitt, [illegible] (3) Appleyard, Hamlet, Kwik-Fit, [illegible] (1) Morgan Crucible 7½pc Prf., EXTRACTIVE INDS (5) Emperor, Orion, Precious Metals Australia, Walhalla, World Fluids, HEALTH CARE (1) Tepnel Diagnostics, HOUSEHOLD GOODS (1) Cornwell Parker A, INVESTMENT [illegible] (1) Indonesia Equity Wrts., LIFE ASSURANCE (1) Irish Life, MEDIA (1) Quarto 9¾pc Prf., MERCHANT [illegible] 9¼pc Prf., Wintrust, OIL EXPLOR [illegible] PROD (5) Evergreen, Factm, OIL, INTEGRATED (1) Chevron, OTHER FINANCIAL (1) IAF, OTHER SERVS & BUSNS (1) Anglo United, PHARMACEUTICALS (1) Schering, PROPERTY [illegible] Chesterfield 5¼pc Prf., Molyneux, Peel, Prior, Shaftesbury, RETAILERS, GENERAL (2) Pentos, Upton & Southern, SUPPORT SERVS (3) CRT, Johnson Cleaners, AMERICANS (3) Eaton, Malvy Technology, Tenneco.

EQUITY FUTURES AND OPTIONS TRADING

A recovery in UK gilts helped stock index futures rally off the day's low in a session that was dominated by renewed fears of inflation and h[illegible]her [illegible], *writes Joel Kibazo.*

There was an early buyer of the September futures contract [illegible] FT-SE 100 after it opened at 3,211 and the buying sent it to 3,214 within minutes of the opening. This turned out to be the high of the day for the early [illegible] dried up as sellers emerged, leaving September to drift lower over the next hour.

Dealers said the premium was substantially eroded which gave traders an opportunity to unwind arbitrage positions.

The release of revised UK GDP figures for the second quarter once again led to fears on inflation and talk of an increase in interest rates.

This sent September sharply lower and over the next few hours it tested a line of resistance as it fell to the day's low of 3,167.

The steady performance of gilts together with a better than expected opening [illegible] Wall Street helped the contract bounce and September finished at 3,183, down 25 on its previous close and around [illegible] points above its fair value premium to cash of about 6 points. Volume was 11,357 lots.

It was a quiet day in traded options and total turnover was 20,598 lots. Some 8,637 contracts were traded in the FT-SE 100 option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	[illegible]	[illegible]	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	3167.0	[illegible]	57545
Dec	[illegible]	[illegible]	[illegible]	[illegible]	3225.0	[illegible]	4579
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	3750.0	[illegible]	-11.0	[illegible]	[illegible]	25	[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	-	3755.0	-	-	-	-	535

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3168) £10 per full index point

[illegible]

Calls 3,675 Puts 4,737

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	169	11½	125	17½	87	[illegible]	55	47	31	73	15	108½	6½	147	1½	[illegible]
Oct	185	30	147½	42½	114½	[illegible]	89½	79½	62	105½	43	138½	25	171½	19½	210½
Nov	209½	40			134½	70½			83	117½			46½	180		
Dec	221½	69			165	[illegible]			109½	128½			61	187½		
Mar†	285	[illegible]			[illegible]	[illegible]			149½	156			107	211		

Calls 1,208 Puts 2,213 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700		3750		3800	
Sep						108¼	40½	65½	61	55½	87

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Aug 22	Day's chge%	Aug [illegible]	Aug [illegible]	Aug 17	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
[illegible]	3171.3	-0.6	3191.4	3182.6	3180.3	3042.0	[illegible]	[illegible]	17.13	87.27	1194.14
FT-SE Mid 250	3749.8	-0.1	3753.9	3740.4	3741.7	3467.4	[illegible]	[illegible]	21.62	85.59	1391.09
FT-SE [illegible]	3754.7	-0.1	3758.2	3741.5	3741.5	3479.5	3.44	6.01	20.14	88.52	1389.48
FT-SE-A 350	1603.0	-0.5	1611.2	1606.5	1606.6	1524.9	3.61	5.58	18.01	42.37	1234.75
FT-SE SmallCap	1887.48	—	1886.98	1885.87	1884.68	1759.97	2.99	4.14	[illegible]	37.04	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	—	1852.61	1850.08	1848.79	1753.16	[illegible]	[illegible]	29.18	[illegible]	[illegible]
FT-SE-A ALL-SHARE	[illegible]	-0.5	1598.16	1593.74	1596.52	1510.96	[illegible]	[illegible]	[illegible]	41.29	[illegible]

■ FT-SE Actuaries All-Share

	Aug 22	Day's chge%	[illegible] 19	Aug 18	[illegible] 17	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]	-0.9	2706.59	2708.15	2726.00	2255.20	[illegible]	[illegible]	23.60	54.71	[illegible]
12 Extractive Industries(4)	[illegible]	-0.7	3881.79	3934.06	[illegible]	[illegible]	3.31	[illegible]	23.98	54.24	[illegible]
15 Oil, Integrated(3)	[illegible]	-0.9	2656.71	2651.72	2665.53	2181.60	[illegible]	[illegible]	21.88	59.99	[illegible]
16 Oil Exploration & Prod(11)	[illegible]	-0.7	1977.98	1971.92	1989.05	1812.10	2.48	1.24	80.00†	[illegible]	[illegible]
20 GEN MANUFACTURERS(284)	[illegible]	-0.3	2033.40	2036.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	48.70	[illegible]
21 Building & Construction(32)	[illegible]	+0.2	1163.62	1160.44	1167.85	1145.00	3.51	[illegible]	28.37	21.23	[illegible]
22 Building Matls & Merchs(31)	[illegible]	-0.4	1972.02	1978.59	1999.52	1798.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Chemicals(22)	2524.93	-0.2	2529.14	2511.33	2529.16	2220.70	3.66	4.02	31.42	72.57	1117.19
24 Diversified Industrials(16)	2016.58	-0.2	2019.97	2023.33	2055.06	2005.80	4.51	4.66	26.37	54.88	1022.20
25 Electronic & Elect Equip(35)	[illegible]	-1.4	2015.55	2016.41	2010.21	2129.80	3.77	[illegible]	[illegible]	[illegible]	970.34
26 Engineering(70)	[illegible]	-0.2	1916.51	1928.32	1942.92	1694.20	2.98	[illegible]	25.80	39.09	1088.90

27 Engineering, Vehicles(12); 28 Printing, Paper & Pckg(26); 29 Textiles & Apparel(20); 30 CONSUMER GOODS(97); 31 Breweries(17); 32 Spirits, Wines & Ciders(10); 33 Food Manufacturers(23); 34 Household Goods(13); 36 Health Care(21); 37 Pharmaceuticals; 38 Tobacco(1); 40 SERVICES(220); 41 Distributors(31); 42 Leisure & Hotels(24); 43 Media(38); 44 Retailers, Food(17); 45 Retailers, General(45); 48 Support Services(40); 49 Transport(16); 51 Other Services & Business(9); 60 UTILITIES(36); 62 Electricity(17); 64 Gas Distribution(2); 66 Telecommunications(4); 68 Water(13); 69 NON-FINANCIALS(635); 70 FINANCIALS(104); 71 Banks(10); 73 Insurance(17); 74 Life Assurance(6); 75 Merchant Banks(6); 77 Other Financial(24); 79 Property(41); 80 INVESTMENT TRUSTS(123); 89 FT-SE-A ALL-SHARE(862) — [illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	[illegible]	15.00	[illegible]	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	3192.3	3180.5	3177.0	[illegible]	[illegible]	3168.7	3201.0	3164.7
FT-SE Mid 250	[illegible]	3762.4	[illegible]	3760.8	[illegible]	[illegible]	[illegible]	[illegible]	3749.2	3763.1	[illegible]
FT-SE-A 350	[illegible]	1615.4	1608.2	1607.7	[illegible]	[illegible]	[illegible]	[illegible]	1602.0	1615.9	[illegible]

Time of FT-SE 100 Day's high: 8.45am Day's low: 3.13pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	[illegible]	14.00	15.00	16.10	[illegible]	Previous	Change
Bldg & Cnstrcn	1114.7	1116.8	1117.4	1117.4	1117.5	1116.9	1116.3	1116.3	1117.2	1112.5	[illegible]	+4.7
Pharmaceuticals	3176.8	[illegible]	3183.8	3172.1	3170.3	3167.8	3164.5	[illegible]	[illegible]	3149.3	3156.7	-7.4
Water	[illegible]	1976.5	1983.2	[illegible]	1976.1	1972.6	[illegible]	1969.9	1970.7	[illegible]	[illegible]	+4.4
Banks	[illegible]	2819.5	2816.4	2804.9	2805.1	2801.5	2800.6	2798.8	2800.8	[illegible]	[illegible]	-5.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices service, which covers a range of electronic and paper-based products for these indices, is available from [illegible], Number One Southwark Bridge, London SE1 9HL. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland and The FT-SE-A All-Share is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,000	62½	-½
Abbey National†	[illegible]	392½	-4½
Albert Fisher	[illegible]	45	
Allied-Lyons†	[illegible]	601	[illegible]
Anglian Water	[illegible]	567	+10
Argos	[illegible]	380	-4
Argyll Group†	2,900	287½	-½

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more shares are rounded down. † Indicates an FT-SE 100 Index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

Aug 22 Total contracts: 20,278 Calls: 9,229 Puts 11,049 * Underlying security price. Premiums shown are based on closing offer prices.

RISES AND FALLS YESTERDAY

	[illegible]	Falls	[illegible]
British Funds	45	6	[illegible]
Other Fixed Interest	3	1	11
Mineral Extraction	34	73	92
General Manufacturers	173	13[illegible]	396
Consumer Goods	35	42	1[illegible]
Services	87	[illegible]	[illegible]
Utilities	19	16	10
Financials	72	91	206
Investment Trusts	89	68	310
Others	22	[illegible]	33
Totals	819	852	1522

[illegible] on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	[illegible]	November 24
Last Dealings	[illegible] 5	[illegible]	[illegible] 8

Calls: Ald. Irish Bk., Corporate Serv., Enterprise Comp., Minmet, Plantsbrook, Proudfoot, Rodime, Titaghur Jute, Tullow Oil. Puts: Ald. Irish Bank, Tullow Oil Put & Call: Enterprise Comp.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Aug 22	Aug [illegible]	Aug 18	Aug 17	Aug 16	Yr ago	[illegible]	[illegible]
Ordinary Share	2498.4	2498.8	2490.4	2497.5	2474.5	2373.4	[illegible]	[illegible]
Ord. div. yield	4.05	4.07	4.09	4.05	4.10	3.89	4.46	3.43
Earn. yld. % full	[illegible]	5.86	5.88	[illegible]	5.72	[illegible]	6.95	3.62
P/E ratio net	18.19	18.25	18.19	18.53	18.74	27.93	33.43	17.69
P/E ratio nil	18.79	18.85	18.79	19.15	19.35	25.70	[illegible]	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 [illegible] low 49.4 [illegible]. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	[illegible]	15.00	16.00	High	Low
2502.0	2505.4	2493.6	2492.7	2492.1	2489.5	2484.3	2482.9	2484.7	2503.4	2481.0

	Aug 22	Aug 19	Aug 18	Aug 17	Aug 16	Yr ago
SEAQ bargains	30,756	29,669	30,449	31,965	25,500	33,507
Equity turnover (£m)†	-	1278.7	1551.0	1292.0	1217.7	1182.8
Equity bargains†	-	33,835	35,955	34,546	30,013	38,930
Shares traded (ml)†	-	515.8	610.7	598.8	497.2	505.2

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Aug 22	% chg on day	Aug 19	Aug 18	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (36)	1974.76	-0.8	1991.04	1918.45	1877.43	2.17	2357.43	1622.85
■ Regional indices								
Africa (16)	3095.62	-0.3	3104.51	[illegible]	[illegible]	4.41	3440.50	1902.23
Australasia (9)	2538.63	+1.7	2495.17	[illegible]	[illegible]	2.05	3013.98	1852.18
North America (12)	1556.71	+1.1	1542.54	1516.82	1642.62	0.83	2029.55	1362.00

Copyright, The Financial Times Limited 1994. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Aug 22: 239.6 ; day's change: +2.4 points; Year ago: 197.5 † Partial. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22¼	–¹⁄₁₆	£25½	£20¹¹⁄₁₆	6,782	5.1	ϕ
ANZ A$		199	—	278¼	179¼	2,835	4.8	29.8
Abbey National	†N☐	[illegible]	–3½	523	381	5,149	5.0	13.2
Allied Irish IE	♣†N☐	[illegible]	–2	314	234	1,572	5.3	9.1
Anglo Irish IE	♣N☐	58	—	*70	53	198.6	7.4	10.6
Asahi Y		757¼	–6¼	819¼	628	17,806	0.6	ϕ
Banco Bil Viz Pta		£14½	–½	£18⅞	£14½	3,427	5.7	6.6
Banco Sant Pta		£28¼	—	*£30½	£22¼	3,967	5.5	9.2
Bk Ireland IE	♣☐	283	—	*319	245	1,243	5.0	7.6
Bank Scotland	♣N☐	185½	–½	247	172½	2,281	3.2	16.0
9¼pc Pf		113½	+¼	141½	113¼	113.6	10.2	–
9¾pc Pf		118½	—	149½	118½	118.5	10.3	–
Barclays	♣†N☐	598xd	+2	640	487	9,208	3.7	17.5
Dai Ichi Kan Y		£12	+⅛	£12⅝	£10⅜	37,452	0.5	–
Deutsche DM		£287⅛	–7⅝	£344¼	£270⅝	13,698	2.4	–
Espirito Santo		£10⅛	+⅛	*£13⅛	£8½	220.8	3.8	5.1
First Nat Fin	N☐	69½xd	—	*90	60	117.3	2.7	–
6.3pc Cv Pf		77	—	*90	77	6.18	10.2	–
7pc Cv Pf		125½	—	171	123	59.6	7.0	–
Fuji Bank Y		1501¼	–3½	1549¼	1152½	43,498	0.4	ϕ
HSBC HK	†N☐	737	–2	1133	680	12,897	4.2	10.6
HSBC (75p Shs)	†N☐	718	–2	1113	680	6,109	4.3	10.3
Lloyds	†N☐	549xd	–7	660	519	7,026	5.3	10.7
Mitsubishi Y		£17¼	+⅛	£18⅝	£15⅝	49,309	0.3	ϕ
Mits Tst & Bk Y		994½	–17¼	1162¼	687½	11,916	0.5	15.2
Mitsui Tst & Bk Y		777	+6½	879	514	9,311	0.7	25.2
Nat Aust A$	†	[illegible]	—	620¼	489¼	7,057	5.3	11.1
NatWest	†N☐	[illegible]	+7	622	421	8,058	5.0	9.0
Ottomana FFr		[illegible]	—	£33	£21¼	106.6	6.7	ϕ
Ryl Bk Scotland	♣†N☐	405	—	528	377½	3,240	3.7	18.3
Sakura Y		£9⅞	—	£9⅞	£8⅛	30,345	0.6	64.5
Sanwa Y		£13⅛	–⅛	£15⅛	£11⅛	40,020	0.4	–
Standard Chartd	†N☐	249xd	–2¼	*359¼	223	2,392	3.2	8.5
7 3/8pc Pf		85¼xd	–4¼	108½	85	85.2	10.8	–
Sumitomo Y		£13⅛	+⅛	£18⅛	£11½	41,058	0.4	26.8
Sumitomo Tst Y		985¼	–9¼	1145½	625	11,632	0.6	ϕ
TSB	†N☐	211xd	–2	291	197	3,230	4.8	10.6
Tokai Y		£9⅜	–⅛	£9	£6⅜	17,723	0.7	52.6
Toyo Tst & Bk Y		823¼	+23	882	585¼	6,470	0.8	70.1
Westpac A$		208	–1	260	194	3,786	2.8	ϕ
Yasuda Tst Bk Y	‡	692¼	+2½	868	442	6,538	0.9	50.5

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

... prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

... prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1196. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 [illegible]) for more information on FT [illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا في الاصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 [redacted] for more details.

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers
2 White Oak Square, Swanley BR8 7AG

Stockmarket Fd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY

CAF – Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD

CIM Unit Trust Managers Ltd

Acuma Life Assurance
42 Southwark Bridge Road, London SE1

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9RS

Clerical Medical/Fidelity Investments
Narrow Plain, Bristol BS2 0JH

Clerical Medical Investment Group
Narrow Plain, Bristol BS2 0JH

Friends Provident – Contd.

GT Unit Managers Ltd
125 London Wall, London EC2Y 5AS

General Accident
2 Rougier Street, York YO1 1HR

INSURANCES

AIG Life

Abbey Life Assurance Co Ltd

Abbey National Life Plc

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc - Contd.

Sun Life Unit Assurance Ltd

Century Life International Ltd - Contd.

DBS Financial Management Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Dresdner Intl Management Services Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

John Govett (Channel Islands) Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

هكذا في الاصل

هكذا في الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Swedish krona recovers

A combination [illegible] fundamental and technical factors yesterday helped the Swedish krona [illegible] a sharp recovery on the foreign exchanges, *writes Philip [illegible]*

The [illegible] improved on the back of a better tone in the bond markets, helped by investors who were short of the currency at the end of last week, needing to square their positions.

The krona finished in London at SKr4.933 against the D-Mark from [illegible] [illegible] Friday's close.

Elsewhere, the dollar and sterling continued [illegible] the hands of the firmer D-Mark. The dollar [illegible] DM1.5309, from [illegible] and at [illegible] from Y98.47.

Sterling finished [illegible] a pfennig lower at DM2.3729 from [illegible]. Against the dollar, however, it [illegible] firmer, closing [illegible] $1.5501 from [illegible]. Analysts said [illegible] the dollar and the pound were the victims [illegible] sentiment, rather than concerted selling pressure.

In Europe the D-Mark was little changed. It closed at FFr3.430 against the French franc, [illegible] FFr3.431. Against the Italian lira [illegible] closed at L1,020 from L1,021.

■ The catalyst for [illegible] in the krona [illegible] Friday's [illegible] proposals [illegible] the opposition [illegible] Party, predicted [illegible] win [illegible] general election. The market, concerned by [illegible] large [illegible] deficit, was impressed by [illegible] plans to [illegible] budget by [illegible] the coming four [illegible].

[illegible] was [illegible] helped by [illegible] from Skandia, the large insurer, on the [illegible] the SDP proposals, that [illegible] would [illegible] prepared [illegible] buy Swedish [illegible] again. Markets' [illegible] recently [illegible] by [illegible] to boycott purchases of state bonds owing to the country's [illegible] position.

Mr Keld Holm, international economist [illegible] Lehman [illegible] in London, said the krona had quite significant momentum in the longer term, with the potential to appreciate to SKr4.80 over the next year.

In the short term, however, he cautioned that uncertainty, particularly [illegible] November referendum concerning [illegible] to [illegible] EU, could well [illegible] krona retreat back towards the SKr5.00 level.

■ The [illegible] about the [illegible] sterling is [illegible] it [illegible] currently a cause for vigilance, rather than anxiety. [illegible] UK currency [illegible] not yet become the target of speculative pressure, [illegible] level still being almost exclusively [illegible] of movements in [illegible] larger currencies, particularly D-Mark and dollar. [illegible] weighted index [illegible] 78.2, from [illegible] on Friday.

Although [illegible] pound [illegible] now 25 [illegible] below [illegible] it reached before [illegible] February rate cut, it is nine cents higher against [illegible] dollar, up [illegible] from $1.46.

The government [illegible] not have [illegible] explicit exchange [illegible] target, and [illegible] little [illegible] port for [illegible] view, notwithstanding [illegible] market, [illegible] England might [illegible] tempted [illegible] raise [illegible] support sterling. [illegible] Peter Fellner, gilt strategist [illegible] Markets, [illegible] "It [illegible] always [illegible] pace (of the decline) as well as the level that [illegible] Bank [illegible] concerned."

[illegible] said the [illegible] would probably become concerned [illegible] weighted index was, on [illegible] sustained basis, [illegible] few points [illegible] day.

The prospect of higher rates, because of currency weakness, would probably only arise when the Bank [illegible] the level of sterling [illegible] inflationary threat. At the moment it is possible to argue that the Bank is enjoying the [illegible] of both worlds. Mr Neil [illegible] UK exporters, who [illegible] roughly two-thirds of their products to the EU, will be welcoming the pound's weakness against the D-Mark.

The Bank, however, will not [illegible] about sterling's strength against the dollar. The US is more important than the EU in terms of the [illegible] of imported goods, [illegible] sterling strength will thus help curb inflatio[illegible] pressures.

■ The Mexican peso firmed against the dollar after partial [illegible] showed the ruling Institutional Revolutionary Party keeping power in general elections. [illegible] in [illegible] 3.315 pesos from 3.3815 pesos on Friday.

Analysts said sentiment towards the US dollar remained negative. Mr MacKinnon said the position of the market [illegible] broadly neutral, with interb[illegible] driving it lower. He [illegible] there [illegible] selling [illegible] from fund [illegible].

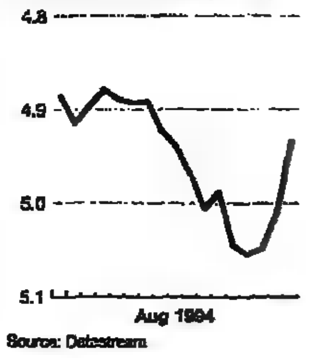
■ In [illegible] UK [illegible] the Bank of England provided [illegible] liquidity [illegible] short- [illegible] of [illegible]. Overnight [illegible] between 5 [illegible] per cent.

In the [illegible] markets, [illegible] month LIBOR was unchanged at $5\frac{1}{4}$ per cent. Activity in the futures markets [illegible] very quite, with the December [illegible] sterling [illegible] trading 13,494 [illegible] from [illegible].

In Germany [illegible] December Euromark contract closed unchanged at 94.84. Call money rates were little changed [illegible] 4.85/4.95 per cent.

Swedish Krona

Against the D-Mark (SKr per DM)



Source: Datastream

■ [illegible] in New York

Aug 22	—Latest—	— Prev. close —
£ spot	1.5550	[illegible]
1 mth	1.5548	[illegible]
3 mth	1.5534	[illegible]
1 yr	1.5425	[illegible]

■ OTHER CURRENCIES

Aug 22	£	$
[illegible]	[illegible] - [illegible]	108.170 - [illegible]
Iran	[illegible] - [illegible]	1740.00 - 1750.00
[illegible]	[illegible] - [illegible]	[illegible] - [illegible]
[illegible]	35038.7 - [illegible]	[illegible] - [illegible]
[illegible]	[illegible] - [illegible]	2179.00 - [illegible]
U.A.E.	5.6946 - 5.7056	3.6715 - [illegible]

POUND SPOT FORWARD AGAINST THE POUND

Aug 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng index
Europe													
Austria	(Sch)	16.7173	-0.0572	096 - 243	16.7[illegible]	16.6836	[illegible]	0.3	16.7011	[illegible]	-	-	115.7
Belgium	(BFr)	48.8886	-0.2529	898 - 074	49.1870	48.9873	48.8736	[illegible]	48.5486	-0.5	[illegible]	[illegible]	117.4
Denmark	(DKr)	9.3910	-0.0498	873 - 946	9.4412	[illegible]	[illegible]	-1.2	9.4268	-1.5	[illegible]	-0.8	110.9
Finland	(FM)	7.7468	-0.0651	373 - 562	7.8980	7.7[illegible]	-	-	-	-	-	-	84.0
[illegible]	(FFr)	[illegible]	[illegible]	324 - 407	[illegible]	[illegible]	8.1407	[illegible]	8.1427	[illegible]	8.110	0.3	110.8
Germany	(DM)	2.3729	-0.0107	718 - 740	2.3822	2.3696	[illegible]	0.6	2.3708	[illegible]	[illegible]	1.2	127.1
Greece	(Dr)	[illegible]	-1.052	073 - 391	361.709	353.676	-	-	-	-	-	-	-
Ireland	(I£)	1.0130	-0.0016	122 - 137	[illegible]	1.0121	1.0131	-0.1	[illegible]	-0.1	[illegible]	-0.1	[illegible]
[illegible]	(L)	[illegible]	-10.73	955 - 250	[illegible]	[illegible]	[illegible]	-1.7	[illegible]	-3.8	2470.88	-2.1	75.0
Luxembourg	(LFr)	[illegible]	[illegible]	898 - 074	49.1870	48.9873	48.8736	[illegible]	[illegible]	-0.5	[illegible]	-0.3	117.4
Netherlands	(Fl)	[illegible]	-0.0121	635 - 654	2.6621	2.6621	2.6647	-0.1	2.662	0.4	2.6338	1.2	121.3
Norway	(NKr)	[illegible]	-0.0492	391 - [illegible]	10.4928	10.4348	10.44	0.3	10.4505	-0.3	10.4365	0.1	88.5
[illegible]	(Es)	[illegible]	[illegible]	845 - 111	244.824	243.462	245.708	[illegible]	248.888	-8.0	-	-	-
[illegible]	[illegible]	[illegible]	-1.077	610 - 777	199.637	198.663	[illegible]	-3.3	[illegible]	[illegible]	[illegible]	-2.2	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	981 - 150	11.9482	[illegible]	11.7231	[illegible]	11.7786	-2.5	[illegible]	-2.5	74.2
Switzerland	(SFr)	[illegible]	[illegible]	989 - 023	[illegible]	1.9998	1.9957	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	121.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.2
Ecu	-	1.2490	-0.008	484 - 495	1.2557	1.2484	1.25	-0.9	1.2511	-0.7	1.2487	0.0	-
[illegible]	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
[illegible]													
[illegible]	(Peso)	1.5494	[illegible]	489 - 498	1.5517	1.5448	-	-	-	-	-	-	-
Brazil	(R)	1.3728	[illegible]	715 - 737	1.3843	1.3738	-	-	-	-	-	-	-
Canada	[illegible]	2.1322	+0.0023	313 - 330	2.1342	2.1243	2.1318	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(New Peso)	5.1384	-0.097	295 - 473	5.2069	5.1121	-	-	-	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	497 - 504	[illegible]	1.5455	[illegible]	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	[illegible]	030 - 054	2.1078	[illegible]	2.1042	0.9	2.1055	-0.2	2.1238	-0.9	-
Hong Kong	(HK$)	[illegible]	[illegible]	733 - 803	[illegible]	[illegible]	11.9729	0.4	11.9718	0.2	11.9788	0.0	-
India	(Rs)	48.6135	+0.0449	947 - 322	48.7073	48.4750	-	-	-	-	-	-	-
Japan	(Y)	[illegible]1.843	[illegible]	747 - 939	[illegible]390	151.250	151.453	3.1	150.638	3.2	145.918	3.9	190.7
Malaysia	(M$)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
New Zealand	(NZ$)	[illegible]	[illegible]	841 - 874	[illegible]	2.5776	2.5897	-1.8	2.5875	-1.8	2.6198	-1.3	-
Philippines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Saudi Arabia	[illegible]	[illegible]	[illegible]	118 - 149	[illegible]	5.7965	-	-	-	-	-	-	-
Singapore	(S$)	[illegible]	[illegible]	253 - 279	[illegible]	2.3204	-	-	-	-	-	-	-
S Africa (Com.)	(R)	[illegible]	+0.0084	394 - 442	5.5452	[illegible]	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	[illegible]	[illegible]	434 - 776	7.0782	6.9373	-	-	-	-	-	-	-
South Korea	(Won)	[illegible]	+2.15	565 - 720	1250.72	[illegible]	-	-	-	-	-	-	-
[illegible]	(T$)	[illegible]	[illegible]	261 - 986	41.0271	40.[illegible]	-	-	-	-	-	-	-
Thailand	[illegible]	[illegible]	[illegible]	805 - 135	[illegible]	[illegible]	-	-	-	-	-	-	-

†SDR rate for Aug 19. Bid/offer [illegible] in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the [illegible] but are implied by current interest [illegible]. Sterling index calculated by the [illegible] of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the FT

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 22		Closing mid-point	Change on day	Bid/offer [illegible]	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
[illegible]													
[illegible]	(Sch)	10.7850	-0.0485	825 - [illegible]	10.8180	10.7810	10.7852	0.0	10.785	0.0	10.7	0.8	104.7
Belgium	[illegible]	[illegible].5400	-0.2	350 - 450	31.7400	31.5350	31.565	-1.3	31.61	-0.9	31.715	-0.6	106.2
[illegible]	[illegible]	[illegible]	[illegible]	575 - 595	[illegible]	[illegible]	[illegible]	-1.3	6.0877	-1.9	6.1585	-1.7	105.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.0941	[illegible]	5.0003	-0.6	5.0103	-1.0	5.0778	-1.8	[illegible]
[illegible]	[illegible]	5.2492	-0.0339	[illegible] - 507	[illegible]	[illegible]	5.2525	-0.8	5.2584	-0.7	5.2187	0.6	106.8
Germany	(D)	[illegible]	[illegible]	305 - 312	[illegible]	1.5305	1.5311	-0.2	1.5311	0.0	1.5249	0.4	107.7
Greece	(Dr)	232.400	-0.95	350 - [illegible]	233.300	232.350	232.72	-1.7	233.325	-1.6	236.275	-1.7	[illegible]
Ireland	(I£)	[illegible]	[illegible]	295 - 310	1.5339	1.5240	1.5291	0.9	1.5253	1.3	1.5053	1.6	-
[illegible]	(L)	[illegible]	-8.75	130 - [illegible]	1570.00	1561.00	[illegible]	-3.9	1578.45	-4.2	1638.9	-4.8	75.5
Luxembourg	[illegible]	[illegible]	-0.2	350 - [illegible]	31.7400	31.5350	31.565	-1.0	31.61	-0.9	31.715	-0.6	[illegible]
[illegible]	[illegible]	1.7190	[illegible]	187 - 192	1.7276	1.7187	1.7192	-0.1	1.7189	0.0	1.7132	0.3	[illegible]
Norway	[illegible]	[illegible]	[illegible]	362 - 382	6.7754	[illegible]	[illegible]	-0.6	6.7997	-1.3	6.6572	1.2	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	350 - 450	[illegible]	157.150	[illegible]	-7.6	160.275	-7.3	166.9	-6.0	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	160 - 210	128.930	[illegible]	128.556	-3.5	129.23	-3.3	132.085	-3.0	[illegible]
[illegible]	(SKr)	[illegible]	-0.1615	486 - 561	7.7157	[illegible]	[illegible]	-2.8	7.6094	-3.0	7.7924	-3.2	[illegible]
[illegible]	[illegible]	1.2910	-0.0017	[illegible] - 915	1.2973	1.2905	1.2903	0.7	1.289	0.8	1.2783	1.0	107.0
UK	[illegible]	1.5501	+0.0018	[illegible] - 504	1.5528	1.5455	1.5498	0.2	1.5485	0.4	1.5373	0.8	86.6
[illegible]	-	1.2411	[illegible]	408 - 413	1.2413	[illegible]	1.24	1.1	1.2378	1.0	1.2306	0.8	-
[illegible]	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	[illegible]	0.9995	-	[illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	850 - 860	0.8940	[illegible]	-	-	-	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	753 - 758	1.3758	1.3741	1.3761	-0.4	1.3779	-0.7	[illegible]	-1.1	[illegible]
Mexico	(New Peso)	[illegible]	[illegible]	100 - 200	3.3220	3.3100	3.316	-0.4	3.3178	-0.3	[illegible]	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.2
Pacific/Middle East/Africa													
[illegible]	(A$)	[illegible]	[illegible]	570 - 580	[illegible]	[illegible]	1.3577	-3.2	1.3584	-0.3	[illegible]	[illegible]	88.7
Hong Kong	[illegible]	[illegible]	[illegible]	262 - 272	7.7275	[illegible]	7.7265	0.0	7.7272	0.0	7.7422	-0.2	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 675	31.3675	31.3575	31.4475	-3.3	31.5925	-2.9	-	-	-
Japan	(Y)	97.9600	-0.515	[illegible] - 000	98.7000	97.7400	97.72	2.9	97.28	2.8	[illegible]15	3.1	150.3
[illegible]	(M$)	2.5510	[illegible]	505 - 515	[illegible]	2.5483	2.5418	4.3	[illegible]	3.2	[illegible]	-2.1	-
New Zealand	[illegible]	1.6682	-0.0004	675 - 689	1.6683	[illegible]	[illegible]	-0.7	1.671	-0.7	1.6763	-0.5	-
Philippines	[illegible]	26.2500	-	000 - 000	26.5000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	[illegible] - 506	3.7506	3.7502	3.7518	-0.4	[illegible]	[illegible]	3.7745	-0.6	-
Singapore	(S$)	1.5010	-0.0015	005 - 015	[illegible]	[illegible]	1.4987	1.1	1.4978	[illegible]	1.491	[illegible]	-
S Africa (Com.)	[illegible]	3.5753	-	745 - 760	3.5775	3.5690	[illegible]	-5.2	3.6191	-4.9	[illegible]	-3.4	-
S Africa (Fin.)	(R)	4.5550	+0.085	450 - 650	4.5650	[illegible]	[illegible]	-8.3	4.6475	-8.1	-	-	-
South Korea	(Won)	804.150	+0.45	[illegible] - 500	806.500	803.700	807.15	-4.5	[illegible]	-3.2	829.15	-3.1	-
Taiwan	[illegible]	26.3300	-0.107	800 - 800	26.2966	26.2300	[illegible]	-5.3	[illegible]	-0.9	-	-	-
[illegible]	(Bt)	[illegible]	-0.01	600 - 700	24.9800	24.3600	25.0375	-3.5	25.165	-3.2	[illegible]	-2.7	-

†SDR rate for Aug 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 19. Base average [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

هكذا في الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 22 / Sch)

BELGIUM/LUXEMBOURG (Aug 22 / Frs.)

FINLAND (Aug 22 / Mk)

FRANCE (Aug 22 / Frs.)

GERMANY (Aug 22 / Dm.)

ITALY (Aug 22 / Lire)

NETHERLANDS (Aug 22 / Fls.)

NORWAY (Aug 22 / Kroner)

SPAIN (Aug 22 / Pts.)

SWEDEN (Aug 22 / Kronor)

SWITZERLAND (Aug 22 / Frs.)

PACIFIC

JAPAN (Aug 22 / Yen)

AUSTRALIA (Aug 22 / Aus$)

HONG KONG (Aug 22 / H.K.$)

MALAYSIA (Aug 22 / MYR)

SINGAPORE (Aug 22 / S$)

NORTH AMERICA

CANADA

TORONTO (Aug 22 / Can $)
4 pm close

MONTREAL (Aug 22 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Aug 22 / Rand)

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal ... Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ... REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Monday, August 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nissan	5.4m	[illegible]	-2	Nippon Steel	2.9m	362	-6
Mitsubishi Hvy	5.4m	[illegible]	-15	Nomura Secs	2.5m	2270	-10
Sumitomo Chem	5.2m	[illegible]	-5	The Daiei Inc	2.4m	1750	-20
Sumitomo Mtl	3.8m	[illegible]	-2	Obayashi Corp	2.3m	721	+16
Ricoh Co	3.3m	[illegible]	-12	Hitachi	[illegible]	979	-6

INDICES

US INDICES

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Aug	2016.0	1978.0	-29.0	2018.0	1973.0	28,758	28,515
Sep	2022.5	1986.0	-28.5	2025.0	1982.0	973	28,379
Oct	2032.0	1995.0	-29.0	2032.0	2032.0	-	1,625

Open interest figures for previous day.

** Sat Aug 20: Taiwan Weighted Price 6805.84; Korea Comp Ex 947.06. Base values of all Indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index Aug 22 - 2113.37 -30.47.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

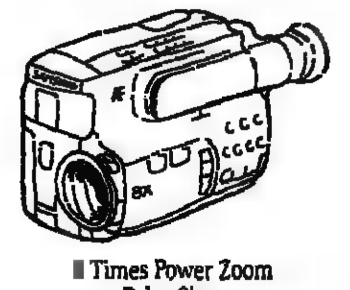
4 pm close August 22

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅛	13⅝	AAR	0.48	3.4	466	57	14	13¾	14	
16⅞	12⅝	A L Labs A	0.18	1.2	[illegible]	316	15	14⅝	15	+⅜
75¾	57⅜	AMP	1.68	2.3	[illegible]	798	73⅜	72¾	73⅛	
72¾	52⅛	AMR			[illegible]	3505	56½	55¾	55¾	-¼
5	3⅜	ARX			[illegible]	460	4⅛	3⅞	4	-⅛
66⅛	38⅝	ASA x	2.00	[illegible]	[illegible]	550	46¼	45¾	46⅛	+¼
31⅝	25⅜	AbbotL	0.76	[illegible]	[illegible]	7162	30½	30	30½	+¾
13¾	11⅞	Abitibi Pr	0.50	[illegible]	[illegible]	27	13¾	13⅛	13⅛	
23⅝	17¾	ABM Ind	0.52	[illegible]		11	22⅛	21⅞	21⅞	-⅛
14⅝	11⅛	Acpincaln			[illegible]	55	14	13⅞	14	-¼
31	22¾	ACE Ltd	0.44	1.9	[illegible]	1371	23½	23⅛	23⅛	-⅜
12½	10	ACM Gvt In	1.09	11.2		1140	10¼	d9¾	9¾	-½
10⅛	7⅜	ACM GvOpp	0.80	10.8		440	7½	d7⅜	7⅜	
10⅝	7⅜	ACM Gvt Sp	0.95	12.6		323	7¾	d7½	7⅝	
12	8¾	ACM Gvt Se	1.09	12.3		892	9	d8¾	8⅞	+⅛
11¾	8⅜	ACM Man	1.08	12.7		229	8⅝	8½	8½	-⅜
9¼	8	ACM Managd	0.72	9.0		158	8⅛	d8	8	
15½	8¾	AcmeCle	0.44	3.7	14	185	12¼	11⅞	12	-⅛
9⅜	6½	Acme Elect			7	21	9⅛	9⅛	9⅛	+⅛
28¾	23	Acordia	0.60	[illegible]	13	45	28	28	28	
11¾	5¾	Actava	0.36	[illegible]	3	678	11½	11	11¼	-¼
15⅝	11¼	Acuson			101	152	13¼	13⅛	13¼	+⅛
18⅞	16½	Adams Expr x	0.48	2.8	0	86	17⅜	17⅛	17¼	+⅛
64	49½	Ad Micro	3.00	5.1		170	59½	58⅝	59¼	
31¾	18¾	AdvMic	3.00	10.4	12	2684	28⅞	28⅜	28¾	
6⅞	5	Advest Grp	0.16	3.0	8	81	5⅜	5⅛	5⅜	+¼
20	15	Advo Inc	0.10	0.6	115	5	17⅜	17¼	17¼	-⅛
57¼	49⅜	Aegon ADR	2.95	5.1	12	2	u57½	57½	57½	+½

[illegible]

TECHNOLOGY THAT [illegible]

Samsung 8mm Camcorder



8 Times Power Zoom
Palm-Size

SAMSUNG ELECTRONICS

Continued on next page

هكذا في الأصل

4 pm close August 22

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng
30¼	25	StJoeLP	1.80	6.5	14	15	27¾	27½	27¾	+⅛
45	37¾	StPaul	1.50	3.5	4	759	43⅝	43	43	-⅝
9⅜	5	Salant Crp			7	587	6¼	5½	5⅝	-⅝
49⅞	32⅞	Sallie Mae	1.40	4.0	7	1862	35⅛	34⅝	34⅞	
13⅞	11⅞	Salomon Br	0.32	2.6		164	12½	12⅜	12½	+⅛
52¼	41½	Salomn	0.64	1.5	5	1529	42½	42⅛	42⅜	-⅛
25	17½	SnDgGE	1.52	7.8	10	381	19½	19⅜	19½	-⅛
10	7½	SantaFeEle	0.16	1.7	9	2140	9½	9⅜	9⅜	-⅛
15¼	13½	SFeGd				383	14⅝	14⅝	14⅝	
40	31½	SantaFePac	2.80	8.1	18	46	34⅝	34⅛	34⅝	-⅛
28¼	18½	SanFeP	0.10	0.5	101	1903	19⅝	19¼	19⅜	+⅛
28	19⅜	SaraLee	0.64	2.8	15	4441	23	22⅝	22⅞	-½
50⅛	42⅛	Scana Corp	2.82	6.3	11	811	45⅛	44½	44½	-⅛
20½	12½	Scecorp	1.00	7.5	9	2973	13⅜	13⅛	13¼	-⅛
40½	[redacted]¾	SchergPP			29	20	37⅝	37¼	37¼	-⅛
71⅞	54½	SchrPl	2.04	2.9	18	3642	69½	68¼	68¾	-⅛
63	50¾	Schlmb	1.20	2.1	23	3676	58¼	55⅞	56¼	-½
33⅞	23¾	Schwab(C)	0.28	1.0	13	512	28	27⅝	27¾	-⅛
10⅜	8⅛	Schwitzer			23	12	8⅝	8⅜	8⅝	-⅛
42¾	24⅞	SciAtl	0.12	0.3	88	1958	43⅝	42⅝	43	+⅛
16⅞	13	Scotman	0.10	0.6	14	99	15½	15⅜	15½	+⅛
83⅝	37¼	[redacted] x	0.80	1.3	16	2048	62	61⅛	61⅝	-½
28⅝	18⅝	ScuddrNAsF	0.21	0.9		174	23¾	23⅝	23¾	

— T —

— U —

— V —

— W —

— X - Y - Z —

NASDAQ NATIONAL MARKET

4 pm close August 22

— A —

— B —

— C —

— D —

— E —

— F —

— G —

— H —

— I —

— J —

— K —

— L —

— M —

— N —

— O —

— P - Q —

— R —

— S —

— T —

— U —

— V —

— W —

— X - Y - Z —

AMEX COMPOSITE PRICES

4 pm close August 22

AMERICA

Bond market puts pressure on US stocks

Wall Street

US stocks retreated yesterday morning as a weak dollar triggered further declines in the bond market, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial [illegible] at 3,746.37, while [illegible] more broadly based Standard & Poor's 500 was 1.08 lower [illegible]. Volume on the Big Board was a [illegible] 128m shares by early afternoon.

In [illegible] secondary markets, [illegible] American SE composite was up a scant 0.05 at 445.50, but the Nasdaq composite had dipped 0.57 to 741.86.

Most share prices were lower for the fourth straight session [illegible] eyed developments in the foreign [illegible] with concern. The dollar lost further ground against the yen and D-Mark amid increased US-Japanese trade [illegible] and sagging confidence in [illegible] tration. The weak [illegible] in turn [illegible] the Treasury market, [illegible] posting heavy [illegible] morning [illegible].

[illegible] fresh [illegible] data [illegible] to brighten [illegible] picture, [illegible] prices opened with [illegible] losses, but they managed to improve slightly by early afternoon.

Cyclical issues were the biggest drag on the Dow industrials, as fallout over last week's move to higher interest rates showed no sign of abating. Caterpillar was off $1 at $106⅞ and United Technologies $1¼ lower at $60¾.

Eli Lilly shed $1½ to $55¾ on a report that Glaxo was interested in buying a piece of the drug maker's business rather than acquiring the entire company.

On the Nasdaq, Novell gave back $1¼ to $30⅛ after the software supplier issued a profits warnings late on Friday.

Neutrogena jumped $6 to [illegible] after Johnson & Johnson agreed to buy the [illegible] shampoo [illegible] for [illegible] a share. J & J slipped $¼ to $48¾.

Canada

Toronto [illegible] were lower in midday trading. Volume [illegible] reported to be below average.

The TSE 300 composite [illegible] off 7.57 at 4,179.51 in volume of 21.89m shares valued [illegible] C$245.9m.

Mexico

Equities reached a six-month high in midsession trading. Investors [illegible] encouraged by official election returns which suggested that the ruling Institutional Revolutionary Party had retained power in Sunday's presidential election.

The IPC index, which had earlier broken through [illegible] 2,750 [illegible] level, [illegible] up [illegible] or 1.6 per [illegible] 2,752.02 by [illegible] morning. [illegible] 24m [illegible].

Analysts, however, forecast that the result had already been factored into prices and expected a period of profit-taking in the short-term.

Telmex was up 1.1 per cent in its L shares and 0.5 per cent in the A shares after its ADRs climbed sharply in New York trading.

Brazil

Shares in São Paulo were 4.5 per cent higher at 1 pm after two opinion polls showed that the former economy minister, Mr Fernando Henrique Cardoso, could win the presidential elections in the first round of voting.

The Bovespa index was up 2,329 at 53,712 in turnover of R$344.5m ($388.4m).

Foreign activity was seen in Telebras, the preferred shares rising 4 per cent to R$52.15.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.12	+1.10	+4.86	-6.89	+0.12	+4.77
Belgium	-1.21	+0.04	+3.53	-5.08	+3.31	+8.12
Denmark	-0.61	-5.17	+3.14	-4.04	+2.18	+6.93
Finland	+4.08	+2.43	+24.84	+19.81	+31.07	+37.16
France	-0.27	-1.32	-3.26	-10.46	-4.37	+0.07
Germany	+1.00	+0.01	+8.03	-6.60	+0.67	+5.36
Ireland	-1.74	-1.47	+5.78	-1.27	+2.17	+6.91
Italy	+2.95	-10.11	+3.96	+7.67	+12.15	+17.35
Netherlands	-0.59	+0.29	+8.69	-4.31	+2.79	+7.60
Norway	+1.20	-0.97	+11.38	+4.73	+11.07	+16.23
Spain	-2.45	-1.32	+0.38	-7.99	-2.61	+1.92
Sweden	+0.30	-2.38	+8.09	+1.46	+4.77	+9.63
Switzerland	-0.61	-1.11	+5.22	-11.52	-2.88	+1.64
UK	+1.40	+2.61	+4.32	-6.01	-6.01	-1.64
EUROPE	+0.67	-0.10	+4.22	-6.06	-1.95	+2.61
Australia	+0.45	+0.59	+8.78	-4.12	-0.28	+4.35
Hong Kong	-0.48	+3.11	+27.48	-21.61	-25.09	-21.61
Japan	-0.49	+0.64	-0.80	+13.01	+22.39	+28.07
Malaysia	+3.82	+16.66	+49.41	-10.36	-9.47	-5.27
New Zealand	+0.74	+4.15	+4.18	-2.62	-0.81	+4.31
Singapore	+0.87	+6.14	+23.62	-7.30	-5.14	-0.73
Canada	+0.55	+1.29	+7.23	-0.80	-8.76	-4.52
USA	+0.36	+2.42	+1.47	-0.26	-4.68	-0.26
Mexico	+3.28	+18.46	+45.42	+3.86	-8.83	-4.60
South Africa	-0.84	+4.55	+45.28	+18.34	+8.53	+13.57
WORLD INDEX	+0.19	+1.61	+3.15	+1.07	+2.56	+7.32

† Based on August 19th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and NatWest Securities Limited.

The tightening of monetary policy by the US Federal Reserve a week ago today was warmly received by the world's equity markets, although the performance was not all one way. Malaysia and Mexico featured on the positive side, although the latter's 3 per cent gain on the week in local [illegible] terms could be attributed to expectations ahead of la[illegible] presidential election of a victory for the ruling PRI party.

Malaysia, too, was driven higher as much by domestic news as by that coming out of Washington. Good inflation data for July helped prompt the upward move, while an announcement from the central bank on regulatory changes in an effort to encourage the flow of overseas funds into the country was an additional stimulant.

EUROPE

Dollar weakness threatens earnings-led recovery

A US dollar down by another 3 per cent against the D-Mark in less than two weeks put more question marks against the proposition of the fast track, export-led [illegible] earnings [illegible], *writes Our Markets Staff*. Weakening bonds, and bond [illegible] equity futures markets did the rest.

FRANKFURT fell by [illegible] than a percentage point on the session, the Dax index losing 25.78 at 2,123.79, and weakened again after hours, the Ibis-indicated Dax ending the afternoon at 2,113.37 after the dollar, US treasuries and equities opened lower in [illegible] York.

Turnover stayed low, falling from DM5.2bn to DM4.7bn. At Merck Finck, in Düsseldorf, Mr Matthias Welticke [illegible] nearly a fortnight ago (when the Dax, coincidentally, was close to last Friday's level) that it only made sense to buy German equities at 5 per cent below their historic high, 2,270 on the Dax, if there were a realistic chance of exceeding this level in the foreseeable future.

"That requires a fundamental trigger", said Mr Welticke, "and this can only be a better outlook for bonds and interest rates." His colleague, Mr Horst-Kaspar Greven, noted yesterday that the September bund future was testing resistance on the downgrade.

[illegible] Greven added that [illegible] past two weeks had seen the beginning of the German half-year [illegible] – "[illegible] expectations in general," he remarked, "but, then, [illegible] expectations [illegible] gerated." Yesterday's example [illegible] Mannesmann, down DM7.70 [illegible].

MILAN took its cue from [illegible] political scene following some positive comments from government ministers over the weekend. Financial markets were especially comforted by remarks made by the labour minister indicating that there would have [illegible] a reform of the pensions system in the 1995 budget, which is due to be discussed next month.

The Comit index closed 14.99 or 2.3 per cent to 676.14.

Opposition [illegible] pensions [illegible] had been [illegible] of problems facing the administration of prime minister Silvio Berlusconi. A feeling that divisions within the coalition government might be on the mend [illegible] yesterday [illegible] prompt [illegible] rally, [illegible] in low [illegible].

[illegible] was one of day's [illegible] gainers, rising [illegible] 12,390.

PARIS was shaken by events in the bond market, while general equity activity remained low. The CAC-40 index slipped 28.70 or 1.4 per cent to 1,972.63, after a session low of 1,964.

Turnover picked up [illegible] FFr3.2bn from Friday's FFr2.2bn.

Eurotunnel, which is not an [illegible] constituent, [illegible] FFr1.40 to FFr24.15 on [illegible] newspaper reports, on which the company had no comment, that it might [illegible] freight and car users.

The other Euro-stock, Euro Disney, closed unchanged at FFr10.30. In a comment on last week's resignation of the group's finance director, Mr Michael Woodcock of Nikko Europe noted that the news should have come as no surprise, given the number of senior staff who have left the organisation. Nevertheless, he added, "the shares are likely to remain weak, with the focus on rebuilding image and improving revenues".

AMSTERDAM weakened in line with the general downward trend on the continent, although it is seen as particularly vulnerable to the weaker dollar. The AEX index eased 3.12 to [illegible].

The market was also hosting [illegible] corporate [illegible]. Gist-Brocades, the biotechnology [illegible] in with half year figures at the lower end of expectations and the [illegible] subsequently fell Fl 1.70 to Fl 47.30.

KNP BT, the paper company, which is due to report half year data on Thursday, was off Fl 1.00 at Fl 48.40 in line with the market.

ZURICH was characterised by lack of confidence in the short term, and low volume as the SMI index closed 24.6 lower at 2,532.4. Derivatives-led selling hit prices early in the day and cyclicals came under pressure, BBC falling another SFr24 to SFr1,176 and Georg Fischer SFr50 to SFr1,460.

However, the picture was little brighter elsewhere, with Roche certificates down SFr65 at SFr5,825, UBS SFr11 lower at SFr1,080 and CS Holding down SFr12 at SFr523.

MADRID moved with [illegible] declines in the dollar and its domestic bond market and continued its downward career, nearing the 300 support level [illegible] the general index fell another 2.97 to 303.21.

Banesto's new chairman said that the recently troubled banking and finance group had entered a new phase which [illegible] to a relatively rapid return [illegible] profitability; but this did not impress Santander [illegible] control of Banesto after the April 25 auction of the company; Santander's shares dropped Pta110 to Pta5,050.

STOCKHOLM liked [illegible] opposition social democrats' election manifesto, published late last Friday. Bonds rose and the Affärsvärlden General index fell only 2.4 to 1,421.3.

HELSINKI, closing early in the day, seemed to ignore [illegible] elsewhere in most of Europe as domestic bond yields continued to decline and the Hex index [illegible] to 1,888.9, up nearly 20 per cent [illegible]. However, it closed well below its intraday high of 1,906.4.

TEL AVIV staged a slight recovery following Sunday's 10 per cent [illegible] which [illegible] prompted by a government proposal to introduce a 10 per cent capital gains tax on share profits from January 1. The stock exchange authorities had also suspended the 10 per cent limit by which share prices were allowed to move.

The Mishtanim index yesterday gained 3.72 or 2.25 per cent, to 168.90 in high turnover of Shk220m. The exchange was closed for two days last week following the government announcement.

Written and edited by William Cochrane and John Pitt

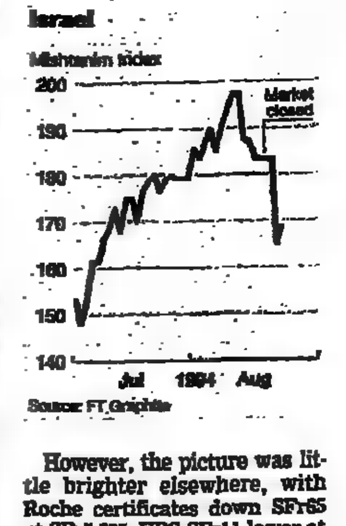
FT-SE Actuaries Share Indices

Aug 22								THE EUROPEAN SERIES
Hourly changes	[illegible]	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1352.51	1348.21	[illegible]	[illegible]	1344.25	[illegible]	[illegible]	1341.33
FT-SE Eurotrack 200	1409.17	1408.71	1408.11	[illegible]	1405.69	[illegible]	[illegible]	1400.60

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15
FT-SE Eurotrack 100	[illegible]	[illegible]	1352.77	1358.59	[illegible]
FT-SE Eurotrack 200	1413.21	1415.01	1423.99	[illegible]	[illegible]

Base [illegible]; Highday: 100 - [illegible]; 200 - 1418.25 Lowday: 100 - 1340.37 200 - [illegible]

Israel



Source: FT Graphite

ASIA PACIFIC

Nikkei down again in face of yen's continued strength

Tokyo

The yen's [illegible] strength against the dollar eroded [illegible] and the [illegible] lost ground on arbitrage selling in low volume, *writes Emiko Terazono in Tokyo*.

The 225 average fell 118.12 to 20,394.58 after a high of 20,538.21 in the morning and a low of 20,380.48 in the final hour of trading. Domestic institutions and dealers remained inactive [illegible] arbitrageurs unwound [illegible] positions.

Volume [illegible] shares against 254m. The Topix index of all first section stocks fell 6.37 to 1,637.45 and the Nik[illegible] 300 [illegible] 1.16 [illegible]. Declines led advances by 642 to 288 with 225 unchanged.

In London the ISE/Nikkei 50 index edged ahead by 0.09 to 1,326.30.

The [illegible] which rose to a [illegible] last Friday, hit share prices [illegible] exporters. [illegible] hurt by weak technical data, with the Nikkei index heading [illegible] 26-week moving [illegible].

"The [illegible] is opaque on very low volume," said [illegible] Alex Kinmont, strategist at Morgan Stanley, adding that [illegible] in high-technol[illegible] exporters [illegible] having [illegible] negative [illegible] on an [illegible] index.

Meanwhile, [illegible] traders [illegible] a [illegible] year's East Japan Railway fiasco, when confusion over trading in the rail[illegible] group's shares prompted a sharp downturn in share [illegible] following its listing.

Many [illegible] participants are wary of a [illegible] situation triggered by Japan Tobacco's listing in October. "If Japan Tobacco is priced over Y1m it will take too much money out [illegible] market," [illegible] analyst.

[illegible] high-technology [illegible] ground. [illegible] Y12 [illegible] Y[illegible]

[illegible] hurt by [illegible] prospects of lower than expected earnings, because of low trading volume. Nomura Securities fell Y10 to Y2,270 and Daiwa Securities declined Y50 to Y1,560.

Buying by overseas investors supported steel companies. NKK [illegible] Y1 [illegible] Y284 and [illegible] Y4 to Y411, but others were lower on profit taking, [illegible] Nippon Steel down Y6 to Y362.

Some drug makers, unaffected by currency movements, gained ground. Sankyo rose Y30 to Y2,330 and [illegible] Chemical Industries added Y10 to Y1,260.

In Osaka, the [illegible] average fell 131.21 to 22,848.85 in volume of 82m shares.

Roundup

Sentiment was generally mixed in the region. Bombay was closed for a two-day holiday.

SINGAPORE slipped on a bout [illegible] profit-taking in blue chips. Foreign institutions were said to be main culprits behind the selling wave. The Straits Times Industrial index [illegible] to [illegible].94.

Property and shipyard stocks were particularly hard hit, with DBS Land skidding 8 cents to S$4.58. However, Malaysian shares traded over the counter extended their recent winning streak, as speculators pushed the UOB OTC index 8.84 higher to 1,253.97.

KUALA LUMPUR itself closed higher in the heaviest trading in six months, on speculative buying spurred by a string of takeover announcements in recent sessions and on renewed hopes for an early general election.

The composite index added 9.50 to 1,150.20 as volume swelled to 591m shares, the highest since 621.5m on Feb 22. [illegible] Malaysia rose 60 [illegible] to M$21.50.

SEOUL climbed in [illegible] trade as a widely expected downward correction failed to materialise. The composite [illegible] or 1.7 [illegible] cent firmer at 962.96.

TAIPEI ended off its highs as late profit-taking eroded early gains. The weighted index finished 32.76 stronger at 6,838.60 [illegible] peaking [illegible] 6,902.17. [illegible] shares, laggards in recent sessions, led the winners while previous favourites such as electronics and plastics dropped on selling by institutions and brokerage houses.

SYDNEY [illegible] higher in a dull [illegible] of a flurry of big corporate reports later in the week.

Goodman Fielder [illegible] most actively stock, rising by a cent to A$1.48 with 4.4m shares changing [illegible] renewed talk that [illegible] may be taken over. [illegible] Australian Financial Review reported that Goodman has been soliciting offers from friendly food groups to fend off major shareholders who have requisitioned an extraordinary general meeting for October 13 to vote on the board's composi[illegible].

HONG KONG [illegible] higher [illegible] afternoon buying by foreign brokerage houses. [illegible] spent [illegible] of [illegible] of today's land auction and Thursday's [illegible] of interim [illegible] from Cheung [illegible].

[illegible] Hang [illegible] firmed 52.89 to 9,457.33; turnover was thin [illegible] HK$2.79bn. Much of the [illegible] buying [illegible] concentrated on [illegible] heavyweights, HSBC and HK Telecom. HSBC [illegible] HK$1.25, or 1.4 per [illegible] to [illegible] while HK Telecom [illegible] 40 [illegible] HK$16.65.

[illegible], mainland Chinese [illegible] suffered [illegible] the [illegible] 17.56, [illegible] 1,235.11 after sell [illegible] following [illegible] release [illegible] of weaker-than-expected [illegible] from Tsingtao Brewery, which [illegible] five cents lower at HK$5.15.

COLOMBO dropped sharply [illegible] the [illegible] trading since the People's Alliance came to power last week. Turnover was thin as foreign and domestic institutional investors awaited further clarification of the new government's [illegible] policies. The all share index [illegible] 17.21 to 999.92 in [illegible] dominated by retail selling.

S Africa sees solid gains

Equities made solid gains in spite of weakness on European bourses and a sell-off in the [illegible] bond market. Dealers [illegible] that industrial [illegible] remained dull as [illegible] searched [illegible] direction, but gold [illegible] mining [illegible] strength. De Beers bounced back after a decline on Friday, adding R3 to R110. Anglos [illegible] firm, adding R4 to R262.

The overall index added 48 to 5,847, industrials 4 to [illegible] and gold 50 to 2,246.

Housewares, the retail debutante, came in at a premium to its 200 cents issue price, opening at 250 cents and rising to a [illegible] high [illegible] cents, before closing at 265 cents, in turnover of R4m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 19 1994								[illegible] AUGUST 18 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	[illegible] Div. Yield	US [illegible] Index	Pound [illegible] Index	[illegible] Index	DM Index	Local Currency Index	52 week High	52 week Low	[illegible] ago (approx)
Australia (66)	174.13	-0.7	166.75	108.40	138.38	156.78	-0.4	3.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	146.26
Austria (17)	193.81	0.0	185.59	120.64	155.13	155.06	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	155.67	[illegible]	[illegible]	[illegible]	168.54
Belgium (37)	175.85	0.1	168.39	109.46	140.75	137.64	-0.4	[illegible]	175.71	[illegible]	[illegible]	141.19	[illegible]	[illegible]	[illegible]	[illegible]
Canada (104)	129.65	0.5	124.15	80.70	103.77	129.15	0.3	2.62	[illegible]	[illegible]	[illegible]	103.62	[illegible]	[illegible]	120.54	[illegible]
Denmark (33)	264.33	0.5	253.12	164.54	211.57	219.22	-0.2	1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (24)	168.98	3.7	161.81	105.18	135.25	179.39	2.4	0.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (97)	176.09	0.1	168.62	109.61	140.94	145.93	-0.4	[illegible]	[illegible]	[illegible]	110.11	141.34	[illegible]	[illegible]	159.34	[illegible]
Germany (58)	147.75	0.1	141.48	91.97	118.26	118.26	-0.3	1.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (56)	383.58	-1.3	367.33	238.77	307.04	380.53	-1.4	3.18	388.80	372.95	243.37	312.42	385.73	508.56	286.76	300.13
Ireland (14)	198.01	-1.8	189.62	123.26	158.50	182.83	-1.9	3.39	[illegible]	[illegible]	[illegible]	162.04	[illegible]	[illegible]	[illegible]	171.87
Italy (59)	80.49	3.6	77.08	50.10	64.43	94.42	2.9	1.64	77.57	74.41	[illegible]	62.33	91.74	[illegible]	[illegible]	[illegible]
Japan (469)	166.66	-0.7	159.60	103.74	133.40	103.74	-1.2	0.74	167.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (97)	560.39	0.5	536.63	348.83	448.56	550.03	0.3	1.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	2277.91	0.1	2181.33	1417.94	1823.28	8421.80	-0.1	1.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (27)	214.04	0.0	204.97	133.23	171.32	168.89	-0.4	3.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	70.84	-0.8	67.84	44.10	56.70	62.77	-0.5	3.81	[illegible]	[illegible]	[illegible]	57.36	[illegible]	[illegible]	59.22	[illegible]
Norway (23)	208.79	0.9	199.94	129.96	167.12	192.05	0.4	1.72	[illegible]	198.51	[illegible]	[illegible]	[illegible]	[illegible]	165.52	[illegible]
Singapore (44)	364.85	-0.3	349.38	227.11	292.04	252.62	-0.4	1.67	[illegible]	[illegible]	229.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (59)	303.40	-0.7	290.53	188.86	242.84	296.42	-0.3	2.11	[illegible]	[illegible]	191.19	[illegible]	[illegible]	305.44	[illegible]	200.53
Spain (42)	142.02	0.4	136.00	88.40	113.68	138.92	-0.4	4.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	128.88	[illegible]
Sweden (36)	215.28	1.4	206.16	134.01	172.32	245.84	0.3	1.62	[illegible]	203.55	[illegible]	170.52	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (47)	162.77	-0.5	155.86	101.32	130.28	130.45	-0.9	1.86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (204)	201.68	0.4	193.13	125.54	161.43	193.13	0.2	3.93	[illegible]	[illegible]	125.72	[illegible]	[illegible]	[illegible]	181.11	189.00
USA (519)	189.42	0.1	181.39	117.91	151.61	189.42	0.1	2.84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EUROPE (718)	174.00	0.4	166.62	108.31	139.27	155.06	0.0	2.99	173.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (116)	214.67	1.5	205.57	133.62	171.82	207.84	0.5	1.42	211.42	[illegible]	[illegible]	[illegible]	[illegible]	222.03	[illegible]	[illegible]
Pacific Basin (749)	175.43	-0.7	167.99	109.20	140.42	114.31	-1.1	1.05	[illegible]	[illegible]	110.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1466)	174.70	-0.2	167.29	108.74	139.83	130.63	-0.6	1.97	175.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	159.89
North America (623)	185.71	0.1	177.84	115.60	148.65	185.29	0.1	2.83	[illegible]	[illegible]	116.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (514)	155.40	0.5	148.81	96.73	124.38	133.01	-0.1	2.44	154.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	135.80
Pacific Ex. Japan (279)	261.63	-0.6	250.54	162.86	209.42	233.04	-0.6	2.76	263.30	[illegible]	[illegible]	211.57	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1647)	176.04	-0.2	168.58	109.58	140.91	134.26	-0.6	1.89	[illegible]	[illegible]	[illegible]	[illegible]	135.08	[illegible]	[illegible]	160.12
World Ex. UK (1962)	177.29	-0.1	169.77	110.36	141.90	147.35	-0.4	2.03	177.54	170.30	111.13	[illegible]	[illegible]	177.54	155.95	166.02
World Ex. So. Af. (2107)	178.67	-0.1	171.09	111.21	143.01	150.36	-0.4	2.22	[illegible]	171.52	111.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1697)	188.47	0.2	180.48	117.32	150.85	179.18	0.0	2.98	[illegible]	180.49	[illegible]	151.18	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2186)	179.44	-0.1	171.84	111.70	143.83	151.45	-0.4	2.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Copyright, The Financial Times Limited, Goldman, Sachs and Co. and NatWest Securities Limited. 1987

Latest prices were unavailable for this edition.

S Korea's economy 'to grow 8.3%'

By John Burton in Seoul

South Korea's economy is expected to grow 8.3 per cent in 1994, but will slow slightly to a rate of 7.6 per cent next year, according to the state-funded Korea Development Institute, the country's leading economic policy group.

The buoyant figures for gross national product represent a recovery after two years of sluggish growth: 4.7 per cent in 1992 and 5.6 per cent in 1993, the lowest in more than a decade.

Renewed growth is based on higher exports, which have risen 12.9 per cent during the first seven months of 1994, as demand increases in the industrialised world and the Korean won weakens against the strong Japanese yen.

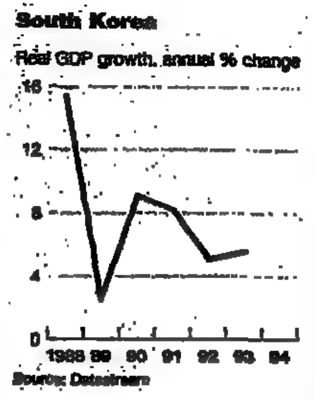
The export boom has fuelled industrial investments in plant expansion as production capacity becomes strained, with the *operation ratio for manufacturing* companies reaching 83.3 per cent in June. Total industrial investments are expected to rise 72 per cent for the year, according to Barings Securities in Seoul.

But the healthy [illegible] growth [illegible] creating new problems [illegible] in [illegible] of a [illegible] and inflation.

[illegible] dependence on imports [illegible] Japanese [illegible]nents and machinery, coupled with the strong Japanese yen, is likely to increase its trade deficit with Tokyo to at least \$10bn (£6.6bn) this year from \$8.5bn in 1993.

This will contribute to a current account deficit of \$2.1bn for the year, despite increased capital inflows as Korea gradually opens its financial markets. The economic recovery is also increasing inflationary pressure, with prices threatening to exceed the government's inflation target of 6 per cent this year.

Analysts worry that higher interest rates caused by rising



[illegible] and tighter monetary controls imposed by the government to curb inflation will cut short the economic [illegible].

The Korea Development Institute proposes that the government cut its budget and raise taxes to prevent the econ[illegible] overheating, [illegible] alter[illegible] of money supply. This [illegible] avoid the mistakes in the early [illegible] government-ordered credit squeeze led to the period of low growth in 1992-93.

None the less, a rise in inter[illegible] inevitable because of credit demand. Higher financial costs and the gradual appreciation [illegible] Korean won against the US dollar will be the main factors behind the slowdown in GNP growth next year.

● The South Korean and US military began war simulation exercises yesterday, the Defence Ministry said, AP reports [illegible] Seoul. [illegible] annual "Ulji-Focus Lens" exercises [illegible] North [illegible] threats last [illegible] that the [illegible] games would strain inter-Korean relations.

The exercise tests the combat capabilities of the joint forces, even though no actual troop movements are involved. Under computer simulation, the 650,000-member South Korean forces and 36,000 US troops face off against North Korea.

Tokyo thoughts turn to political weddings

Japanese parties may make their trial marriages more permanent, reports Gordon Cramb

In the eighth week of their cohabitation, [illegible] unlikely political bedfellows of the Japanese government are getting along [illegible] enough to push general election prospects a year [illegible] or more. There [illegible] a more permanent arrangement.

The [illegible] headed by Mr Tomiichi Murayama [illegible] the [illegible] Democratic party, [illegible] country's first socialist prime minister since 1947, but the main ministerial posts are occupied by conservatives from [illegible] Liberal Democratic party which [illegible] run Japan [illegible] more than four [illegible] until last summer.

[illegible] two parties [illegible] traditional adversaries. But Mr Koichi Kato, the LDP policy chief, has been quoted as saying that his party should hold talks with the SDP's trade union backers to achieve a merger.

Strictly, the current arrangement is a *menage à trois*, with the New Harbinger party, run by Mr Masayoshi Takemura, now stuck awkwardly in the middle of the two much older parties. In the absence of an early break-up, the next election will be fought in new constituency boundaries, and lat[illegible] political [illegible] suggests that [illegible] formal LDP-[illegible] would [illegible] fight [illegible].

Such [illegible] move would [illegible] intended [illegible] counter the [illegible]ation of an opposition superparty which has been proposed [illegible] LDP [illegible] and members of the minority coalition which was ousted at the end of June.

Both merger ideas reflect the introduction, under a system of state political funding to replace [illegible] previous discred[illegible] quest for corporate and other donations, [illegible] rules which entitle [illegible] parties to more campaign funds from central coffers than would be obtained by a loose grouping of smaller political units.

Neither political wedding will necessarily be rushed, if held at all.

A consultative council linking nine opposition groupings is due to be formed early next month. But many opposition MPs are wary of any closer involvement with Mr Ichiro Ozawa, chief strategist of the Japan Renewal party, whose perceived high-handedness in dealings with coalition partners contributed to the fall in June of the government led by Mr Tsutomu Hata.

Mr Ozawa will remain co-leader of the JRP along with Mr Hata after the party last week *rejected his offer to step down.*

The Rengo trade union confederation is less than happy with the direction taken by the

[illegible] stuck in middle

Murayama: party conversion

[illegible] unions

SDP, [illegible] number [illegible] union activists are calling for [illegible] to establish [illegible] own party.

As a whole, however, the Japanese public [illegible] coming round [illegible] apparently [illegible] a left-right combination. Approval ratings [illegible] the Murayama [illegible] risen from a low [illegible] it won office [illegible] around [illegible] per [illegible] now.

The policy [illegible] of the day [illegible] rise [illegible] no publicly expressed discord.

[illegible] SDP have [illegible]*mon interests* [illegible] *protect:*

● Agricultural subsidies, as each relies significantly on the rural vote. The gradual opening of the country's rice market will [illegible] that [illegible] farm [illegible] staple will receive any [illegible] government money this [illegible], keeping consumer cost[illegible] high.

● Public [illegible] jobs, where the LDP has an influential constituency [illegible] bureaucrats, [illegible] the SDP [illegible] backed by many lower-ranking staff. Deregulation, the catchcry [illegible] the past two governments, has suddenly slipped [illegible] daily use.

● Lifetime employment in the private sector, [illegible] jobless *figures do not rise as the reces*[illegible]. The LDP's Mr Shizuka Kamei, the transport minister, this month slapped down a plan by the big three [illegible] hire [illegible] staff [illegible] short-term contracts, and [illegible] came from the [illegible] community alone.

The only issue which has caused difficulties [illegible] one [illegible]ing [illegible] years. As Mr [illegible] today [illegible] start [illegible] eight-day South-East Asian tour, no [illegible] emerged [illegible] how [illegible] atone [illegible] Japan's [illegible].

On his visit to the Philippines, Vietnam, Malaysia and Singapore he may come bear[illegible] *little* [illegible] *expressions of* [illegible]

LDP officials are still having difficulty coming to terms with [illegible] past. Mr Shin [illegible] resigned [illegible] environment min[illegible] a week ago after [illegible]ing that Asian countries [illegible] benefited from Japanese [illegible]pation.

Following talks last night with coalition leaders, it was still uncertain whether Mr Murayama would be in [illegible] posi[illegible] to tell Philippine President Fidel Ramos of [illegible] plan to set [illegible] a Y100bn (£656m) private foundation.

This would provide, [illegible] others, for the so-called com[illegible] who were forced to provide sex for imperial army troops during the [illegible] world war.

Tensions persist within the parliamentary LDP, defections from which brought [illegible] its downfall last summer.

[illegible] LDP committee is debating whether [illegible] abolish the intra-party factions, which have traditionally served [illegible] powerful lines [illegible] patronage. *Many party elders will dislike* [illegible] proposal.

Mr Murayama has, meanwhile, still to complete the post-Cold War conversion of his [illegible] party. [illegible] gress next month is likely [illegible] highlight grassroots [illegible].

But the leap over the ideological [illegible]*old* [illegible] *share house* [illegible] the LDP [illegible] supported, according [illegible] poll, by a comfortable majority of regional SDP leaders.

Russians become tangled in Tajik power struggle

By Steve LeVine in [illegible]

Tajikistan's remote Pamir mountains were once a favourite hunting spot for Moscow's leaders, who prized the Soviet southeast's bighorn Marco Polo sheep. These days, however, Russians in the Central Asia republic are as likely as not themselves to feel like the hunted.

Late last week, seven Russian soldiers were killed in a fierce cross-border raid in Tajikistan by a more and more [illegible] oppo[illegible]. The [illegible] followed an intense period [illegible] and [illegible] a [illegible],000-strong Russian military force deployed on [illegible] Tajikistan [illegible] with Afghanistan.

The force, sent ostensibly to pre[illegible] republic's instability from spreading to Russia, has become increasingly [illegible] and besieged.

"This (the attack) is a reflection of the opposition's existing strength, and partly its desperation," said a diplomat in Dushanbe, interviewed by telephone yesterday. "We haven't seen the full fury yet."

In committing itself to propping up the Dushanbe government, composed of old guard hard-liners from the previous Communist [illegible], Moscow has said it is fighting a radical Islamic opposition, and the regional reverberations that could erupt if it came to power.

Western analysts believe that the opposition's Islamic component has been exaggerated. Moscow may be sensitive about [illegible] new [illegible] being fought on [illegible] territory against forces in Afghanistan.

But, analysts say, the deployment is also part of a wider policy in which Russia, while loosening up elsewhere, has entrenched itself in all the Central [illegible] and [illegible] republics that it has dominated for more than a [illegible].

[illegible] than a battle [illegible] militant Islam, the Russian troops have become [illegible] in a two-year-old [illegible] between regional clans, [illegible] disputes that go back [illegible] the [illegible] of the Soviet era. The battle pits the former Soviet élite against an opposition of traditional have-nots from the rural Garm and Pamir areas in central and eastern Tajikistan.

The fighting began as [illegible] purely political struggle in the last months of [illegible] period, when [illegible] government loosened [illegible] on the opposing opinions.

In [illegible] ensuing months, [illegible] Communist government found [illegible] increasingly beleaguered by [illegible] growing opposition coalition comprising intellectuals, [illegible] democrats, Islamic leaders and students.

In autumn 1992, the opposition took power. But within weeks it was overthrown by tanks, jets and troops pro[illegible] by Moscow and neighbouring [illegible]stan.

Some 60,000 Garm and Pamir people fled across the Amu Darya River to Afghanistan when the élite unleashed an ethnic-cleansing [illegible] in which [illegible] than 30,000 refugees remain [illegible] the Amu Darya, [illegible] whom [illegible] fighters who today [illegible].

The fighting, and [illegible] against the Russians, look unlikely [illegible] end soon. [illegible] principal [illegible] is regional politics. Afghanistan, Iran and [illegible] are all in the fray [illegible] Russia.

[illegible] support for Mr Imamali Rakhmanov, the Tajikistan president, remains the most important element of Tajik politics. In exchange for Russia's assistance, Mr Rakhmanov has allowed Moscow to control his economy and military. It is hard to name any important policy or programme that is Mr Rakhmanov's own.

But the region's other players have made Moscow's role ever more dangerous.

Option of breaking with the old ways

Damian Fraser assesses the Mexican election victor's scope to curb the ruling party's powerful role

MEXICAN ELECTIONS

After his convincing victory in the Mexican presidential election on Sunday, Mr Ernesto Zedillo now faces the daunting task of preparing, in little more than three months, for a presidency that is to stretch from December 1 until near the end of the year 2000. Officials close to Mr Zedillo indicate that he will concentrate on three broad areas until December [illegible] – improving [illegible] with the opposition, [illegible]ting in motion the reform of the governing Institutional Revolutionary Party, and establishing policies and picking ministers for the next administration.

None of the three will be easy. The opposition is bitterly disappointed at the results, and angry with a political system that strongly favours the ruling party. Previous attempts to reform the PRI have all failed, with [illegible] party apparently more resistant to change than any other institution in Mexico. Also, many of the reforms Mr Zedillo has pledged – overhauling the legal system, modernising [illegible] police, among others – touch some of the most powerful and vested interests in the country.

But he will have some advantages. The election results reveal a depth of support for the PRI, even in a difficult political year for the party, and indicate broad if not enthusiastic endorsement for the way the country has been managed by President Carlos Salinas since 1988. With reports of electoral irregulariites limited, Mr Zedillo can claim a democratic mandate for his policies.

The immediate [illegible] is [illegible] heal the wounds that the long and often bitter campaign generated.

Mr [illegible] of [illegible] leftist opposition and Mr [illegible] Fernández [illegible] of [illegible] centre-right opposition have both sharply criticised the manner of Mr Zedillo's victory. They claim that the seemingly unlimited spending of the ruling party, the biased media coverage of the campaign, and support from the government indicate an unwillingness by the PRI to embrace democracy.

Mr Cárdenas is Mr Zedillo's most immediate threat, although the former's poor showing in the poll, and perception that irregularities were isolated, weakens his ability to protest. Yesterday, Mr Cárdenas called his supporters into Mexico City's main square, with his party claiming widespread irregularities in the elections.

However, even Mr Fernández – whose National Action party has generally supported the PRI – withheld a full endorsement of Mr Zedillo's victory yesterday morning, attacking what Mr Fernández called a "profoundly iniquitous and profoundly unjust" political system.

Mr Zedillo, in his victory speech, made conciliatory gestures. He asked his opponents to "emphasise what we have in common, without sacrificing differences." He told foreign correspondents late on Sunday: "My responsibility is not only for those who voted for the PRI but those who voted for other parties. Today, Mexico has a great opportunity to have an important agreement among all the political parties."

It is still unclear what such an agreement might entail. Many people are so sceptical about the PRI that they will not believe Mr Zedillo until he makes specific concessions to the opposition. Mr Enrique Krauze, a prominent historian, said Mr Zedillo "should interpret the election as a mandate to change the system from within." But, given his way of campaigning and previous record in government, "we have not had the slightest sign that makes us think he is willing to do this."

Mr Zedillo may choose some members of the opposition to join his cabinet as a way to win their support. A plural cabinet would certainly fit with his pledge to represent all of Mexico, not just the PRI. But it remains to be seen what, if any, positions Mr Zedillo offers – more important, the opposition response is also awaited.

Mr Zedillo's pledge to reform the PRI will almost certainly form part of his attempts to forge relations with the opposition. In remarkably direct language, Mr Zedillo promised in the campaign to separate the PRI from the government, not to interfere in the ruling party when in office, and to propose democratic methods for the party to pick its candidates.

Over the next three months, Mr Zedillo and his associates are likely to set out the broad outlines of internal party reforms, rather than make final decisions, according to Mr Jesús Reyes Heroles, a respected economist who, as the [illegible] head of the PRI's ideology commission, is expected to play a key role in drawing up the new policies. He said the reforms would have to be discussed extensively with the party rank-and-file, and agreed by them before being implemented.

Other Zedillo associates accept the difficulty of pushing through such reforms, which have always failed in the past. President Carlos Salinas briefly experimented with internal primaries for some [illegible] before abandoning this after they [illegible]used bitter divisions in [illegible] party. He seemed mainly to benefit the party old guard, who are generally well organised [illegible] out [illegible] vote.

Giving up the power of patronage would seriously weaken Mr Zedillo, who would be giving up the traditional mechanism through which the Mexican president keeps control of party officials and ensures their unwavering loyalty. For this reason, some are doubtful that Mr Zedillo will carry through the reforms, and others are worried that, if he does, he will find it more difficult to govern the country.

Mr Zedillo's policies in government are likely to reduce his presidential powers still further. According to officials, his administration will begin by implementing reforms of the police and of the judicial system to make them both more independent of the executive and more professional; and will introduce policies to devolve more powers to state and municipal governments. There are high expectations that Congress will play a bigger role in scrutinising legislation in the next administration than in the past.

On the economy, Mr Zedillo will work hard with the current government to ensure a smooth transition. Aides say that they will try to ensure that public spending priorities for next year are agreed with the current administration over the next few months. Mr Zedillo has promised an increase in public investment of 25 per cent for next year, in an effort to enhance economic growth.

The country's poll results are still a source of political controversy, **writes Stephen Fidler**

Salinas hails 'clean' election

We want to vote: Mexicans protest at the door of the electoral authority after a lack of ballot papers denied them a vote Picture: Reuter

[illegible] final judgment [illegible] the probity of Mexico's presidential and congressional elections is yet [illegible] but [illegible] opposition parties will [illegible] a [illegible] of reflection, if not crisis, as a result.

The government of President Carlos [illegible] satisfied with the cleanliness of the elections.

"We see the complaints as more or less isolated incidents that will need to be looked into but which wouldn't [illegible] elections," said [illegible] spokesman.

Others offered a more negative view. Mr Sergio Aguayo, head of Civic Alliance, a group [illegible] non-government organisa[illegible] which [illegible] the election, said yesterday: "I [illegible] to announce that the quality of the election [illegible] in question." He [illegible] "Before proclaiming triumphs and losses, the legitimacy of the elections [illegible] be deter[illegible]."

Despite the advances made in the Mexican electoral process, the elections are still a source of political controversy and [illegible] does not yet exist on the [illegible] of the [illegible]toral game.

Electoral difficulties fall into three main areas:

■ [illegible] polling day. [illegible] issues were summed up in a report published this month by the [illegible] of Emory University in [illegible] "An uneven playing field which limits the ability of all political [illegible] compete equitably remains of significant concern, especially [illegible] the [illegible]tinuing bias of media coverage, the high [illegible] advertising, campaign spending limits [illegible] the reach of any party [illegible] the PRI, and great disparities in financial resources."

[illegible] magis[illegible] to [illegible] the elections [illegible] criticised slow processing of complaints – most against the ruling Inst[illegible] Revolutionary Party (PRI) – about breaches in the electoral law

■ Voting itself. The possibility of padding the [illegible] roll with dead [illegible] non-existent people – common in the past – is [illegible] small, according [illegible] the Carter Centre, but it said an independent audit did not address the [illegible] of disenfran[illegible] believed they were on the roll.

On the day, the main problem surrounded special polling stations, where those away from home [illegible] not on the polling station lists could vote. The number of ballot papers in [illegible] of [illegible] was limited to 300, as part of an agree[illegible] among all the [illegible] to try to prevent double voting. The question being asked by the opposition Party of Democratic Revolution and others is why were so many people on the electoral roll not on [illegible] lists of their local polling [illegible] – forcing them to vote elsewhere.

[illegible] Alliance [illegible] reported that preliminary assessments suggested some 20 per cent of polling stations allowed voting by people not on the electoral list, and [illegible] per [illegible] allowed voting by people who [illegible] already [illegible] foreign observers travelling in the countryside around [illegible] City reported [illegible] in some [illegible] there [illegible]tion of voters

■ Fraudulent counting. This appears to have been much more difficult than in the past, in part because large discrepancies between exit polls and quick counts – from polling [illegible] where voting had been observed – would have shown up attempts at centralised fraud.

The leader of the PRD, Mr Cuauhtémoc Cárdenas, called on his supporters to meet in town and city squares around the country at midday yesterday, and these were expected to turn into protests against fraud. The government said it was expecting "peaceful demonstrations" with the armed forces under orders not to provoke confrontations.

However, it was thought that [illegible] of Mr [illegible] generate widespread [illegible] be undermined by his relatively poor showing in the election results. Mr Cárdenas claims he was deprived on the presidency by fraud in the 1988 elections and 1994 is likely to be his last chance at the presi[illegible].

Particularly if the protests [illegible] prove [illegible] the [illegible] is likely to undergo a period of [illegible] Mr [illegible] had started the campaign by moving towards the centre, but towards the end of the cam[illegible] his [illegible] once [illegible] veered to the left.

For [illegible] right-leaning National Action Party (PAN), the result it [illegible] would even six months ago have been considered a triumph. The one te[illegible] debate among the candidates propelled [illegible] candidate Mr Diego Fernández de Cevallos into serious contention for a time. However, there [illegible] disappointment in party ranks at the result and a debate seems likely to ensue about the extent to which the PAN – in the past six years, highly supportive of the ruling party – should [illegible] co-operate with and be identified with the PRI.

For now, however, both main opposition parties [illegible] dependent more or less on the goodwill of the ruling party to engage them more fully in [illegible] have preferred less of a deci[illegible] victory for the ruling party to give them a stronger bargaining position.

Evolution of the ruling political machine

1928 President-elect Alvaro Obregón murdered, preparing way for creation of new party that would accommodate different political interests

1929 National Revolutionary Party (PNR), precursor of the Institutional Revolutionary Party (PRI), founded by Plutarco Calles, Mexico's political strongman known as the *Jefe Máximo*: membership virtually compulsory for [illegible] of government, Congress, army and civil servants

1934 Lazaro Cardenas elected president, expropriates oil companies, carries out sweeping agrarian reform, becomes a nationalist hero

[illegible] Cardenas renames PNR the Party of Mexican Revolution, organises it into four corporatist sectors - agrarian, professional, labour, military - turning it into an effective political machine

1946 PNR renamed Institutional Revolutionary Party (PRI) with military sector abolished; Miguel Alemán becomes president, spearheads economic modernisation, backing pro-business policies and encouraging foreign inves[illegible] represents clear break from past revolutionaries, hence decision to make the Revolution "Institutional"

1968 Tlatelolco massacre: several hundred students and supporters protesting for political reform massacred by army in government crackdown, shattering two decades of relative social peace, ending Mexico's so-called post-war miracle

1976 Peso devalued for first time since 1954 after nationalist economic model followed by President Luis Echeverria leads to rising inflation, budget deficits, large-scale capital flight

1982 México defaults on foreign debt obligations after fall in oil prices, setting off Latin American debt crisis and economic turmoil in Mexico

1986 Mexico joins GATT, as PRI leadership accepts free trade, pri[illegible] of state-owned companies and other [illegible] structural reforms

1988 Cuauhtémoc Cárdenas, son of Lázaro, breaks from ruling party to provide first serious challenge in presidential elections, winning 30 per cent of vote in elections marred by fraud; incoming President Carlos Salinas declares era of one-party rule is over

[illegible] PRI presidential candidate, Luis Donaldo Colosio, killed at campaign rally, the first such [illegible] since the murder of Alvaro Obregón: PRI wins, with its new presidential candidate, Ernesto Zedillo, promising to [illegible] party [illegible]

Stocks rise but caution sounded

By Ted Bardacke in Mexico City

Mexican stocks surged an initial 1.6 per cent to a new six-month high in early trading yesterday in the wake of the ruling party's election victory. By mid-morning the IPC index was up 32.76, or 1.21 per cent, to 2,740.94. The peso also appreciated significantly against the dollar.

However, analysts said that, because many [illegible] had already [illegible] heavily [illegible] this outcome in the weeks before the election, profit-taking was likely over the next few days.

"There is no question that people are buying... and that there is a general influx of capital into the market. But profit-taking may obscure the market's fundamental long-term strength," said Mr Chris Luft, lead trader with Marvin & Palmer, US money [illegible].

Those investors who have been valuing the market [illegible] on the [illegible] of political events are expected to be the most cautious between now and Mr Ernesto Zedillo's [illegible] inauguration [illegible] December 1.

The strength of demonstrations called [illegible] by leftist leader Mr Cuauhtémoc [illegible]denas, who finished a distant third in the election but is crying foul, and the final judgment [illegible] the election process by independent observer groups, are just two of the many political uncertainties the market will have to account for.

"[illegible] is likely to be [illegible] much negative political news as positive in the next months. The dedicated guys are going to be very cautious... but that will be offset by those who are not playing politics" and just reacting to the good news, said Mr Robert J Pelosky, director [illegible] Latin American research and strategy at Morgan Stanley in New York.

Mr Pelosky said the mar[illegible] leading indicator needed to "rest and gather strength" around the current level of 2,700 points before [illegible] to the expected 3,000-mark towards the end of the year.

RESULTS*

Population: 85m
Electorate: 45.7m

Party	% of vote
Institutional Revolutionary party (PRI)	47.14
National Action party (PAN)	31.35
Party of [illegible] Revolution (PRD)	[illegible]
[illegible]	6.02

* Preliminary results based on 15 per cent of votes counted

The market rally is likely to be upheld by Mexican inves[illegible] who "are [illegible] little more relieved, as they were not as optimistic [before the [illegible]tions] [illegible] the foreigners," according to Mr Felix Boni, [illegible] of research at the Mexican brokerage Interacciones. Mr Boni cited the low turnout for Mr Cárdenas as a factor not yet been completely discounted by the market.

Mr Zedillo's presidential victory also increases the likelihood that Mexico will receive an investment-grade rating, although there is "no rush," according to one credit-risk analyst. "Let Zedillo get inaugurated and form a government. Then we ought to be able to [illegible] ahead," he said.

[illegible] investment-grade rating from the likes of Moody's and Standard & Poors is considered key for the infrastructure drive Mr Zedillo has promised, as it would lower the price of [illegible] government bonds expected to be issued in the early [illegible]ment by the country's development banks and agencies.

Tempers fray as members yearn for a break

Senate puts off vote on Clinton crime bill

[illegible] in Washington

Leaders in [illegible] US [illegible] had [illegible] put off [illegible] vote [illegible] administration's crime bill yesterday, but [illegible] began debate on [illegible] measure.

On Sunday night, the [illegible] Representatives had voted [illegible] pass [illegible] slimmed-down bill with somewhat [illegible] money for crime prevention [illegible] than [illegible] White House wanted.

Some opponents of [illegible] legislation, led by Republican Senator Orrin [illegible] Utah, [illegible] still threatening [illegible] kind of [illegible] procedural tactics that held [illegible] bill up in the House for [illegible] weeks.

Mr Leon Panetta, the [illegible] House chief of staff, said it would [illegible] "a disgrace [illegible] the country" if [illegible] bill's opponents [illegible] block [illegible].

Senator George Mitchell, the Democratic majority leader, said such an attempt would be "unwise, both substantively and politically."

Senator Joseph Biden, [illegible] chairman of [illegible] judiciary committee will manage [illegible] bill in the Senate, said [illegible] he believed [illegible] bill would [illegible] "awfully hard to stop," but [illegible] acknowledged [illegible] faced [illegible] hard task in keeping together a coalition [illegible] colleagues so [illegible] maintain the 60 [illegible] overcome procedural obstacles.

"My dilemma is [illegible] virtually all [illegible] Democrats and [illegible] eight Republicans," he said.

In the final [illegible] on Sunday night, [illegible] bill won the [illegible] Democrats, [illegible] Republicans and the [illegible] Congressional independent, while [illegible] Republicans and [illegible] Demo[illegible] – mostly opponents of [illegible] gun control or the death penalty – [illegible] against it.

Ever [illegible] Bill [illegible] stunning [illegible] in a procedural [illegible] House [illegible] weeks [illegible] bill [illegible] overshadowed everything [illegible] for the administration.

White [illegible] said [illegible] first question [illegible] Vice-Pres[illegible] Al Gore's lips, when [illegible] emerged [illegible] surgery [illegible] Sunday after injuring [illegible] in a basketball game, was: "What's going [illegible] with the crime bill?"

Yesterday, crime pushed [illegible] snail-paced debate [illegible] reform, offering some [illegible] a welcome [illegible] from an argument that [illegible] already [illegible] the Congressional summer holiday.

[illegible] members, [illegible] least, [illegible] to go home [illegible] climactic vote on Sunday, but [illegible] plans [illegible] the [illegible] in Washington until it [illegible] completed [illegible] on [illegible] bill. [illegible] the [illegible] Senator Daniel Moynihan, finance [illegible] chairman, that he allow [illegible] a [illegible]

"I will [illegible] whatever the leader [illegible] done, [illegible] I think [illegible] might decide that we've talked enough, and [illegible] listen[illegible] each [illegible] enough," [illegible] said on Sunday.

Congressman [illegible] Matsui appeared unimpressed by the [illegible] feeling that it [illegible] a [illegible].

"It's not as much [illegible] problem for them. [illegible] you know, [illegible] older kids [illegible] they're [illegible] people," [illegible] said.

But, with tempers [illegible] on all sides, [illegible] and Mr Clinton may conclude that, [illegible] they can bring [illegible] crime bill [illegible] passage, they would [illegible] healthcare reform bill to one last, convulsive [illegible] in September.

That may [illegible] very little [illegible] complete the measure [illegible] members start fretting [illegible] go home to campaign for re-election in November.

Former United Nations secretary general Mr Javier Pérez de Cuéllar, pictured above amid supporters at the Villa El Salvador shanty-town near Lima, says he will make an announcement on September 23, on whether to stand in the Peruvian presidential election next April, Reuter reports from Lima. In a statement late on Sunday, Mr Pérez de Cuéllar said he was seriously considering a request from several sectors of Peruvian society to run for president. "I will soon resume my pilgrimage around the country and, on September 23, I will formally announce my final decision," he said. Earlier on Sunday, he had told the meeting at Villa El Salvador that he was "an independent candidate." See Observer, Page 13.

Blockade of Cuba unlikely

By James Harding in Miami

[illegible] Clinton administration yesterday sought to damp speculation that the US was about to impose [illegible] naval blockade on [illegible] Mr William Perry, [illegible] defence secretary, visiting southern Florida to assess for himself the scale of the refugee problem, said: "We do not have orders at this time to effect a [illegible]"

A Pentagon official travelling with Mr Perry went further, to say that a blockade was "not something currently at the forefront of our planning."

Speculation that the US government would impose a blockade as a measure to speed the downfall of Cuba's President Fidel Castro grew over the weekend after Mr Leon Panetta, White House chief of staff, said a blockade was one of the options the US administration was considering.

Mr Perry confirmed the navy would send 10 ships to assist the Coast Guard in dealing with the growing number of Cubans attempting the crossing despite the administration's announcement at the end of last week that Cuban refugees would no longer [illegible] granted entry to the US and would be detained at the US naval base at Guantánamo Bay in Cuba.

Strong growth in GDP recorded

By Philip Coggan, Economics Correspondent

The UK economy grew more quickly than expected in the first half of 1994, leading economists to predict that full-year growth will be well ahead of the Treasury's 2.75 per cent forecast.

Figures released by the Central Statistical Office yesterday show that gross domestic product in the *second quarter* of 1994 was 1 per cent higher than in the previous three months, and 3.7 per cent higher than in the same period of 1993. Those figures compared with earlier estimates of 0.9 and 3.3 per cent respectively.

The buoyant news on UK economic growth was *reinforced by a Gallup poll* for the European Commission, which showed an increase in consumer confidence over the past month. The balance of those *expecting an improvement in* both their financial position, and in the UK economy, improved between July and August.

However, some economists warned that the pace of economic growth, which is running faster than the UK's long term trend, might prompt the Bank of England to push for a pre-emptive rise in interest rates, to head off inflationary pressures.

Second quarter growth was boosted by a strong performance from net exports, with an improving trade performance contributing more than half the GDP increase.

Consumer spending was also ahead, although the pace of growth, at 0.4 per cent quarter-on-quarter, has slowed sharply from the *second half* of 1993, *when quarterly growth was running at* 1 per cent and above. "This is the clearest sign we have had so far that the announcement of tax increases and their subsequent imposition has hit demand," said Mr Simon Briscoe, UK economist at S.G. Warburg Securities.

CSO figures also showed the slowest quarterly growth in income from employment since 1967, mainly because first quarter income was boosted by the high level of bonus payments.

A 0.3 per cent decline in investment in the second quarter was seen as disappointing, although economists pointed out that year-on-year growth in fixed domestic capital formation was 6.4 per cent.

The strength of GDP in the second quarter, combined with an upward revi*sion to first quarter growth* from 0.7 to 0.9 per cent, show that the UK economy is gaining momentum.

Mr Kevin Gardiner, UK economist at Morgan Stanley, calculates that, even if the economy were to be flat in the second half of this year, full year growth would still reach 2.9 [redacted] cent, ahead of the Treasury's forecast.

1993 and 1994 growth was boosted by the rapid expansion of the oil and gas sector. But even if this volatile element is excluded, GDP grew by 0.8 per cent between the first and second quarters and was 3 per cent ahead year-on-year. Apart from oil and gas, the strongest industrial sector in the second quarter was electricity and water supply.

Labour attacks 'scandal' over Astra

By Kevin Brown, Political Correspondent

Britain's opposition Labour party yesterday launched a devastating attack on government moves to disqualify six directors of Astra Holdings, the collapsed munitions company involved in the Iraqi "supergun" affair.

Mr Michael Meacher, Labour spokesman on open government, said the trade and industry department's treatment of the directors was "a significant piece of the cover-up over arms to Iraq." He said the move was "a grade one scandal."

The DTI launched disqualification proceedings this month, nearly a year after seven Astra directors were criticised in an inspectors' report on the company's 1989 £22m acquisition of PRB, a Belgian defence company. Astra, which is in receivership, became involved in the "supergun" affair after discovering that PRB had a contract to supply propellant.

UK customs officers blocked the project after they seized giant steel tubes being shipped in 1990.

The DTI report criticised the directors for continuing with the PRB acquisition in spite of warnings from advisers about PRB's financial condition. They were also criticised for misleading shareholders about Astra's financial situation.

Mr Meacher yesterday wrote to Mr Michael Heseltine, president of the board of trade, claiming that the proposed disqualifications were "a shabby and sordid political vendetta."

He said the move was "designed to intimidate and discredit the former Astra directors because of what they have revealed about the secret and illicit arms trade with Iraq and the government's connivance in it." The government wanted Astra closed because directors had discovered that subsidiaries it had purchased were being used, with the connivance of the government, for the illegal export of arms to Iraq during the Iran-Iraq war, he said.

Mr Meacher said the government's political motives were "clearly revealed" by the exclusion from the disqualification list of Mr Stephan Kock, an Astra director with links to the security services.

US visitors to urge IRA ceasefire

Sinn Féin president Gerry Adams said the meeting with Mr Morrison[redacted] delegation was "an important [redacted]" Picture: Lydia van der Meer

By Tim Coone in Dublin

An influential Irish-American delegation which will visit Northern Ireland this week is expected to encourage the early announcement of an IRA ceasefire when it meets Mr Gerry Adams, the president of Sinn Féin - the political wing of the IRA.

The delegation, which is due to arrive in Belfast tomorrow, is headed by Mr Bruce Morrison, a former Congressman who *is* considered a close friend of Mr Bill Clinton, the US president.

He will be accompanied by other prominent Irish Americans including Mr Niall O'Dowd publisher of the New York-based Irish Voice, the millionaire businessman William Flynn and Mr Charles Feeney, head of the multinational General Atlantic.

Mr Adams yesterday described persistent speculation about an IRA ceasefire as "unhelpful" but said he considered the meeting with Mr Morrison to be "an important one".

Mr Morrison played an important role in obtaining a temporary US entry visa for Mr Adams earlier this year, despite a long-standing ban on his entering the US. During a visit to the province by Mr Morrison in September last year, the IRA called an unofficial seven-day ceasefire.

Speaking on Irish radio [redacted] terday, Mr Morrison [redacted] "What needs to occur is [redacted] the violent activity needs to stop. [redacted] means, of course, that if the IRA takes [redacted] to stop, [redacted] steps must be taken to get the loyalist para-militaries to stop as well.

"In the context of there not being para-military activity, it then falls to the political process to take steps to make it a permanent cessation".

The British and Irish governments have again stressed in recent days that only a permanent ceasefire by the IRA will allow Sinn Féin to enter into direct talks with the two governments and round-table talks with the other political parties in Northern Ireland.

The US Embassy in Dublin emphasised that the visit of the US delegation was a private one, and that no official business will be conducted by Mr Morrison. Nonetheless, Mr Morrison's team has maintained close contact with political figures in Northern Ireland over the past year, and is considered to be an unofficial line of communication between the Republican leadership and the White House.

Mr Morrison is best known in Ireland for his key role in getting US Congressional approval for a special lottery system to allocate a large quota of immigrant visas to Irish people wishing to settle [redacted] so-called "Morrison visa" has facilitated the emigration to the US of over 70,000 Irish people from both parts of Ireland over the past five years.

More ships held after failing safety inspections

By Charles Batchelor, Transport Correspondent

Twenty-one foreign ships were detained in UK ports in July after failing safety inspections, Britain's Marine Safety Agency said yesterday.

This was the second monthly report on [redacted] arriving at British ports. The first [redacted] carried out in June, led to the detention of 17 vessels, three of which were still being held in July.

The British government began inspecting foreign ships in UK ports in June after an inquiry headed by Lord Donaldson into marine pollution incidents produced a report which was very critical of marine safety standards.

Mr Robin Bradley, chief executive of the agency, which was set [redacted] to take responsibility for marine safety, said: "The response from the industry to our June detention list has been encouraging. The publication of a monthly list will strengthen our campaign against unsafe ships."

Ten of the vessels detained in July had significant defects in their life-saving and fire-fighting equipment while six had defects in their radio installations. Two were held because of shortcomings in crews while one had serious structural problems.

Five of the ships were registered under the Maltese flag, three in Liberia and two in Cyprus. Four had been inspected and approved by the American Bureau of Shipping, three by Bureau Veritas, [redacted] French classification society; and two each by Det Norkse Veritas, Germanischer Lloyd and Nippon Kaiji Kyokai. Of the remaining vessels, two had not been approved at all.

One ship, the United Trust, a Greek-owned general cargo vessel flying the Maltese flag, had severely corroded bulkheads, decks and support struts. There were no proper papers and the radio did not work. The ship made temporary repairs and was then allowed to sail to Germany for permanent repairs.

The failure of some countries which register vessels under their flags to impose adequate controls has led to a shift towards inspections in the ports where vessels call.

Milk battle set to go to court

Alison Maitland on how the dairy trade is angry over deregulation

Britain's dairy trade is to take the government to court for its handling of the deregulation of the milk market, warning that retail prices could be forced up and thousands of jobs *lost*.

The Dairy Trade Federation, which represents milk processors, said it was seeking a High Court judicial review because the government had allowed the creation of "a monopoly supplier of milk without proper regulation or control."

The government gave the go-ahead in June to the Milk Marketing Board to set up a voluntary dairy farmers' co-operative, Milk Marque, to succeed it when the market is liberalised on *November* 1.

Milk Marque has already signed up farmers representing 65 per cent of milk supplies in England and Wales and the dairy trade says this control over the market is allowing it to raise prices by up to 25 per cent under its auction-based selling system in preparation for the new regime.

The federation said the price rises would cost dairy companies collectively some £250m a year, more than the industry's entire current *annual* profits.

Yesterday, the big players in Britain's dairy industry launched their co-ordinated attack on the arrangements for milk purchasing that take effect when the £3.3bn milk market is liberalised.

Northern Foods, *Unigate* and MD Foods, three of the biggest dairy companies, released gloomy statements warning that retail prices could rise sharply and the UK dairy processing industry could lose jobs to continental Europe.

They are furious that Milk Marque has been able to raise the prices at which it sells to them.

Farmers are free under the new arrangements to sell their milk either to Milk Marque – which will act as a broker – or direct to the dairy companies. Most have opted for the former, although up to 15 per cent are still undecided.

At the heart of the dispute is the bidding process introduced by Milk Marque to fix the prices and quantities of milk it sells to the dairy companies. Yesterday was the deadline for companies to sign contracts with Milk Marque, which many said they were doing "under duress".

At each of the three rounds of bidding, Milk Marque has raised prices. But the dairy companies wanted 30 per cent more milk than Milk Marque has to offer, so it is also scaling back allocations.

Mr Andrew Dare, Milk Marque chief executive, said it was asking for an average of 25.5p per litre, compared with a [redacted] price [redacted] 24p, an [redacted] of just over 6 per cent.

But the dairy companies say this does not take account of recent changes in the value of the green pound – the artificial exchange rate at which Ecu-based support prices are converted into sterling – which means a further rise in prices of 3¼ per cent.

Furthermore, the average price covers seven categories of milk, carrying increases ranging between 2.7 per cent and 24 per cent, they say.

Unigate, which consumes about 13 *per cent of milk* supplies, said its operating profits could be down by as much as £10m in the year to next March 31 because of cost increases.

Mr Ross Buckland, chairman, said British dairy companies were trapped by Common Agricultural Policy quotas, which mean Britain can produce only 85 per cent of its milk requirements.

Unigate faces price increases of about 12 per cent in the milk it uses for yoghurt, and up to 24 *per cent in milk for cheese* production, he said. Yet input costs in other European Union member states such as France, where supply exceeds demand, were falling.

Imports of dairy produce would be sucked into Britain from France, "where you don't have a government-created, 65 per cent monopoly which is able to set its own selling conditions and its own prices in a quota-capped regime," he said.

He predicted thousands of job losses and said Unigate's 8,000-strong workforce faced "significant" cuts.

Some companies are already in trouble. Last week the Galloway Cheese Company, majority-owned by the Scottish Milk Marketing Board through its commercial arm, went into receivership, putting 130 jobs at risk. The board said banks had been reluctant to continue support for the company without new guarantees or funds because of "the uncertainties of the marketplace *following* deregulation."

Mr Chris Haskins, chairman of Northern Foods, the biggest dairy company, said farmers could suffer, too. "They may have a honeymoon, but prices would collapse as factories close, the value added business goes elsewhere and imports come in."

But the National Farmers' Union said the old system gave dairy companies an advantage over producers.

"They've been cushioned from competition and they've fossilised [redacted] bit," said Ms Julie Smith, the union's milk [redacted]. "I don't think it's going to be as drastic as they say, but this is a necessary jolt."

Britain in brief

All-time high for overdue debt figures

The value of long-overdue debts has risen [redacted] an all-time high, according to figures released yesterday by Trade Indemnity, the specialist trade credit insurer.

The average value of these debts – those which are unpaid 30 days after they are due – rose 5 per cent in the last quarter to £153,000, says the insurer's quarterly financial trends survey.

On average, payments are made 22 days after a debt is due. Just 2 per cent of companies are paid on time.

The number of exporters being paid on time increased slightly from 11 per cent to 13 per cent between the first and second quarters of the year.

A quarter of companies said they had suffered no bad debts in the past 12 months, while 3 per cent said they had suffered bad debts totalling more than 2 per cent of their turnover.

Rosyth move 'high risk'

The rundown of the Rosyth naval base in Fife was [redacted] "high risk" option for the Royal Navy, Mr Gordon Brown, the shadow Chancellor, claimed yesterday.

Mr Brown, whose Dunfermline East constituency includes Rosyth, produced a two-page naval signal marked restricted, sent from the commander of the Faslane naval base on the Clyde to Navy officials at Rosyth in July.

The Rosyth base is to be run down and its minesweeper squadrons transferred to Portsmouth and Faslane as part of defence spending cuts.

Speaking at Inverkeithing near Rosyth, Mr Brown claimed Faslane was unable to take the transferred workload from Rosyth without massive financial investment.

In the signal, the Faslane commander warns that some facilities will not [redacted] for the transferred minesweeper squadron until [redacted] He [redacted] a satisfactory [redacted] a "challenging programme" will depend on getting enough men and money to manage the transfer.

In particular, the commander warns that there is a "high risk" of being unable to convert two berths at Faslane by 1996 for the minesweepers to occupy long-term.

He also says there is a "high risk" that specialist storage facilities for equipment for the minesweepers will not be completed in 1996.

Minister to meet Remploy

Mr Phillip Oppenheim, British employment minister, will today meet Remploy, the manufacturer at the centre of a row over the government's decision to remove its status as a priority supplier in line with a European directive on public procurement.

The meeting is the first direct contact between the company, which employs 8,600 disabled workers in 95 factories around Britain, and the government since Mr Michael Portillo, employment secretary, made clear about a week ago that he would comply with the directive.

Mr Portillo has insisted that the new *EU* directive makes illegal the Priority Suppliers Scheme, which gave companies employing large numbers of disabled people some advantages in bidding for government work.

EC officials have criticised his decision to axe the disabled scheme without referring to them because it was not intended to hurt disabled workers.

The talks come as Remploy workers were being balloted on strike action after rejecting a 2.5 per cent pay offer.

Revenue to canvass users

Britain's Inland Revenue is planning to canvass the views of professional advisers on how effectively it administers the tax system.

The survey will be the fourth in a series as part of its efforts to meet its obligations under the Citizen's Charter to improve its service to taxpayers.

The project which may be undertaken towards the end of this year, will cover accountants, lawyers and other "agents" who are involved in preparing corporate and personal [redacted] returns and are in regular contact with the Revenue.

More trains break strike

British Rail said that it ran 45 per cent of [redacted] normal services yesterday afternoon, the largest number of trains to run since the start of the railway signalmen's strike 11 weeks ago.

Railtrack said it had managed to open 40 per cent of the 10,000 mile UK rail network to train services, slightly more than during last week's two-day strike, and biggest percentage since the strike began.

The company, which manages British Rail's track, signalling and stations, said 530 signalmen had worked last week, including 309 members of the RMT transport union. At the start of the strike only 337 signalmen worked including 131 RMT members.

Railtrack said it did not know how many signalmen would be working during the present 24-hour stoppage, which ends at midday [redacted] but expected [redacted] small increase.

70m visitors for historic sites

About 70m [redacted] made [redacted] properties in England last year, an increase of 3 per cent over 1992, the English Tourist Board said yesterday.

Westminster Abbey was England's most visited historic building last year, with 2.5m visitors.

Of the admission-charging attractions top place went to the Tower of London with 2.3m visitors, a rise of 4 per cent on 1992. St Paul's Cathedral, London, was second with a 38 per cent rise to 1.9m last year.

Buckingham Palace, open to the public for the first time, attracted 377,000 people in 58 days, making it the 13th most popular entrance-charging attraction.

Visitors to historic properties spent £192m, a rise of 8 per cent on 1992.

MANAGEMENT: THE GROWING BUSINESS

Better to launch and lose

Encouragement for entrepreneurs to "have a go and hang the risk of failure" has not been a part of the British way of life for many years. In spite of the Thatcher era, to have launched and lost is not widely seen as better than never to have launched at all.

The cause of those wanting to lift this dead hand has been further undermined this month with publication [illegible] a report* from [illegible] Business Information, the credit information provider.

According to CCN, nearly a quarter of all company directors in the UK have been involved with companies that have failed during the past six years. More than 10 per cent of these directors have had more than one failure and 1,000 display the qualities of rubber – bouncing back from more than 10 failed companies.

CCN uses this data, gleaned from analysis of 931,000 directors, to call for a clampdown on "serial failures". It says the delay in pursuing disqualification of directors and inefficiency on the part of the courts means serial failures are "free to defraud and lose other people's money".

In spite of the increase in company failures in the past five years, CCN says, the number of disqualifications has stayed at 300 to 400 a year. CCN recognises that company failure does not necessarily imply dishonesty or incompetence and that companies are put into liquidation for perfectly legitimate reasons.

It calls for more investigation of directors' track records before they receive credit, a move that would lead to more prudent credit management. But CCN's emphasis on the small percentage of directors involved with multiple failures denies an important fact. Businesses fail all the time. For many directors, this experience is more valuable than any business school training and makes them better credit risks.

RG

Report available from CCN Business Information. Tel: 0602 363864. Price £50.


Graham Woosey of Tyneside's Business Link: [illegible] a "delivery organisation", he says

Support industry

Chris Tighe looks at a confusing range of support services for businesses in north-east England

North [illegible] England was once described, by a local university academic, as "a policy laboratory where every conceivable kind of economic development initiative [illegible] been [illegible] often [illegible] destruction".

From the wooing of Nissan and its £900m European car plant to advice on setting up creches on council estates, the economic regeneration industry is arguably the region's greatest growth sector.

This month's loss of yet more jobs from shipbuilder Swan Hunter, where nearly 2,000 have gone since receivership 15 months ago, underlines how much Tyneside, in common with Britain's other traditional industrial heartlands, needs to succeed in creating new jobs.

In such areas, substantial numbers of male manual jobs have been disappearing for two [illegible] more, eroding not only employment but the confident expectation [illegible] a lifetime's [illegible] with a large employer.

[illegible] all political parties [illegible] interest groups in Tyneside, there is widespread agreement that indigenous growth through expansion of small and medium-sized businesses is at least as important to economic restructuring as inward [illegible]. But there is less clarity about how that growth can best be encouraged by the multiplicity of bodies set up to foster it.

Graham Woosey, general manager of Tyneside's recently launched Business Link, admits the range of support services is confusing. A former company secretary at Swan Hunter [illegible] knowledgeable [illegible] the local business scene, Woosey was surprised to discover how many initiatives there were in the local job creation sector.

In some parts of the country, he says, the government's one-stop shop Business Link initiative is operating in a "greenfield" setting. Places such as Tyneside, Manchester [illegible] Merseyside already [illegible] many organisations geared up to helping the entrepreneur.

Business Link Tyneside has 13 core partners and its "wider partnership" includes a further 25 bodies [illegible] programmes, all [illegible] encouraging [illegible] area's [illegible] growth.

The Business Link, says Woosey, is not a signposting mechanism, but a "delivery organisation", working alongside its clients to help them through the bewildering range of advice and information [illegible] from local support bodies.

Some of these organisations, such as enterprise [illegible] development agencies Project North East and Entrust, were founded in response [illegible] the [illegible] of [illegible] late 1970s and have continued to evolve.

Other initiatives [illegible] up [illegible] that time, by the now-defunct Tyne and Wear county council, have been joined by a raft of other projects. They [illegible] university schemes, geared [illegible] spinning [illegible] businesses from top-level [illegible] and development, to central government-[illegible] private-sector [illegible] projects [illegible] helping [illegible] of some of the most deprived inner city areas create their own jobs.

The five district councils of Tyne and Wear have also been highly active for many years in economic regeneration, offering business start-up training and counselling, [illegible] subsidised workspace. Vocal local industrialists have recently weighed in too with their own Manufacturing Challenge, aimed at doubling the region's manufacturing [illegible] exports within a decade.

Figures from the Tyne and Wear [illegible] and Intelligence Unit, based on the 1981 and 1991 census returns, indicate that this effort has [illegible] fruit; over that period, self-employment rose by 48 per cent – representing about 10,000 people.

David Irwin, chief executive of Project North East, detects a psychological sea change since the late 1970s, away from the belief that anybody starting up in business is "one of them".

Business Link's four business advice centres in Tyneside, founded as a partnership between enterprise agencies, local authorities and the Tec, [illegible] just how far that change has gone; in the three years to April 1994, [illegible] with more than 100,000 inquiries. In the four months since early April, 8,269 people passed through their doors.

"One of the problems we find in dealing with new government ministers, and even civil servants, is they are always looking for the new, sexy idea they can put a label on," says Alan Clarke, Newcastle's chief economic development officer. "The tendency is, let's have a competition to come up with a new idea, usually for less money. It's infuriating."

Irwin notes an underlying contradiction. "We tell the clients they must be market driven; the government tries to make us policy driven."

For some agencies the thirst for newness is life-threatening. "Fighting for funds takes all of my time," says Jim Hedley, managing director of the Gateshead-based Innovation Centre, whose staff have assisted more than half the region's estimated 5,500 manufacturing companies since the centre was founded 13 years ago.

The government says its objective in creating its Single Regeneration Budget (SRB), for which 1995-96 bids are now being prepared, is to tackle the plethora [illegible] separate programmes and target local needs more effectively.

But the [illegible]on to bid for new projects, and the winding down of the government-funded Urban Programme, has [illegible] implications for bodies such as the Innovation [illegible] Programme, drawn from 20 [illegible] local [illegible], was a key source of funding. European funding, another vital input, is also still unclear for next year.

"I really don't know if we will be in existence next April," says Hedley. "It seems crazy when the government places [illegible] emphasis on [illegible] and initiatives."

Yet the move to SRB is also seen by some Tyneside regeneration specialists as an opportunity – [illegible] it is adequately [illegible] – [illegible] inject greater coherence into the area's economic development activities.

One review it has prompted is a rethink by Tyneside Tec of [illegible] Enterprise [illegible] scheme, under which more than 2,500 small businesses have started in the area since 1990. A move is likely, says Tec operations manager Tom Arnott, away from automatic eligibility for those satisfying the rules towards a more discretionary system focused on business growth.

The jury is still out on the question of whether all these support services have in fact worked. It is difficult to tell how many businesses which are successfully growing would have failed without their help.

Health check for your company

Richard Gourlay on questions entrepreneurs should be asking

As you head back from the summer holiday, how healthy is your business?

As every entrepreneur who has survived the past few years will know, growing after a recession is fraught with danger as cash flow is stretched while resources have yet to be replenished by profits. But there are many more pitfalls. With the help of a quiz put together by accountants Blick Rothenberg, you can decide whether your business is in as good shape as your suntan.

- Interest rates. While rates are at their lowest level for years, some pundits say they will edge up again in the near future. What effect might this have on your company's profitability? Work out your interest cover – the number of times interest payable is covered by pre-tax profits before interest. Is your number (a) more than 5 (b) between 2 and 5 (c) between 1 and 2 (d) less than 1?
- Dependence on one customer. Work out what percentage of your turnover your largest customer accounts for. Is it (a) less than 5 per cent of turnover (b) 5-10 per cent [illegible] 10-[illegible] per cent (d) more than [illegible] per cent?
- Loss of several customers. How important are your five largest customer accounts? (a) less than 10 per cent of sales (b) 10-20 per cent (c) 25-50 per cent?
- Suppliers. Is there one supplier who accounts for a large percentage of your materials? Does your largest supplier supply (a) less than 10 per cent of your key materials (b) 10-25 per cent (c) 25-50 per cent (d) more than 50 per cent?
- Key suppliers. Who are the managers responsible for the key functions in your business – sales, marketing, production, personnel, distribution or finance? How long could you continue if one of them left before the need to replace them became urgent? (a) more than 12 months (b) six to 12 months (c) one to six months (d) less than one month?
- Workforce. Have you increased or cut your workforce recently? If so, by what percentage in the past 12 months? (a) less than 10 per cent (b) 10-25 per cent (c) 25-50 per cent (d) more than 50 per cent?
- Turnover. How quickly has your turnover risen or fallen in the past 12 months? (a) less than 10 per cent (b) 10-25 per cent (c) 25-50 per cent (d) more than 50 per cent?
- Plant and equipment. Have you made any large purchases in the [illegible] 12 months? If so, what percentage of the cashflow of your business have your committed in this area? (a) less than 25 per cent (b) 25-50 per cent (c) 50-100 per cent (d) more than 100 per cent?
- Profit margins. Have your profit margins dropped in the past 12 months? If so, by how much? (a) less than 10 per cent (b) 10-25 per cent (c) 25-50 per cent (d) more than 50 per cent?
- Quick asset ratio. Calculate your quick asset ratio – the ratio of your current assets, excluding stock, to your current liabilities. Is it (a) more than 1.2 (b) between 1 and 1.2 (c) between 0.7 and 1 (d) less than 0.7?

Assessment. For each question you have answered, score as follows: (a) 4 (b) [illegible] 2 and (d) 1. If you scored more than 30 points you are running a splendidly stable business, Blick Rothenberg says. You might as well have stayed on the beach because your business is so stable it would not miss you. If you scored between 22 and 30 points, you are more vulnerable but you also have more excitement in your life.

A score of between 15 and 21 points indicates you are likely to *return to some nervous creditors.*

If you scored under 15 points, go back to the beach and recruit someone who scored above 22 points because you could be in serious trouble.

BUSINESSES FOR SALE

LEGAL NOTICE

CIVIL ACTION SUMMONSES

UNITED STATES DISTRICT COURT
Southern District of New York
SECURITIES AND EXCHANGE COMMISSION
Plaintiff,
v.
EDWARD R. DOWNE, JR.
STEVEN A. GREENBERG,
MARTIN REVSON,
DAVID SALAMONE,
FRED R. SULLIVAN,
THOMAS WARDE,
MILTON WEINGER, and
BROADSWORD, LTD.,
Defendants

TO: David Salamone
c/o Thomas E. Engel
Engel & McCarney
720 Fifth Avenue
New York, NY 10019

SUMMONS IN A CIVIL ACTION
CASE NUMBER:
92 CIV. 4092

YOU ARE HEREBY SUMMONED and required to file with the Clerk of this Court and serve upon
PLAINTIFF'S ATTORNEY
Richard H. Walker, Regional Administrator
U.S. Securities and Exchange Commission
New York Regional Office
75 Park Place
New York, NY 10007
an answer to the complaint which is herewith served upon you, within 20 days after service of the summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint.

JAMES M. PARKISON, CLERK
Date: June 4, 1992

UNITED STATES DISTRICT COURT
Southern District of New York
SECURITIES AND EXCHANGE COMMISSION
Plaintiff,
v.
EDWARD R. DOWNE, JR.
STEVEN A. GREENBERG,
MARTIN REVSON,
DAVID SALAMONE,
FRED R. SULLIVAN,
THOMAS WARDE,
MILTON WEINGER, and
BROADSWORD, LTD.,
Defendants

TO: Broadsword, Ltd.
c/o Thomas E. Engel
Engel & McCarney
720 Fifth Avenue
New York, NY 10019

SUMMONS IN A CIVIL ACTION
CASE NUMBER:
92 CIV. 4092

YOU ARE HEREBY SUMMONED and required to file with the Clerk of this Court and serve upon
PLAINTIFF'S ATTORNEY
Richard H. Walker, Regional Administrator
U.S. [redacted] and Exchange Commission
New [redacted] Regional Office
75 P[redacted] Place
New York, NY 10007
an answer to the complaint which is herewith served upon you, within 20 days after service of the summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint.

JAMES M. PARKISON, CLERK
Date: June 4, 1992

NOTICE OF PENDING LAW SUIT

On June 4, 1992, the [redacted] Securities a[redacted] ("SEC") filed a [redacted] in the [redacted] District Court for the Southern District of New York against David Salamone ("Salamone"), Broadsword, Ltd. ("Broadsword"), and certain other persons (the "Action"). In the Action, the SEC alleges that Salamone and Broadsword violated Section 10(b) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, by knowingly and unlawfully trading securities based upon materia[redacted] information. These transactions [redacted] during the period from June [redacted] 1989 and involved securities issued by the following companies: Kidde, Inc.; Bear Stearns Companies, Inc.; Bally Manufacturing Corp.; and Edgcomb Corp. In the Action, the SEC seeks a judgment against Salamone and Broadsword in the amount of $3,809,349 — the illicit trading profits received by Broadsword — plus prejudgment [redacted]. The SEC [redacted] penalties of up to three times [redacted] received by Salamone and Broadsword, pursuant to the Insider Trading Sanctions Act of [redacted] and the Insider Trading and Securities [redacted] Enforcement Act of 1988.

[redacted] to [redacted] Salamone or Broadsword at their last [redacted] addresses for the purpose of personally [redacted] ing Salamone and Broadsword with a copy of the summons and complaint in the Action. As a [redacted] United States District Court for th[redacted] District of New York has authorized service of the [redacted] complaint upon Salamone and Broadsword by publication of this notice and the summons.

If Salamone and Broadsword do not serve an answer to the complaint in the Action within thirty (30) days after publication of this notice and the summons, the SEC will seek judgment by default for the full amount sought in the complaint — $3,809,349 plus pre-judgment interest and penalties.

Anyone possessing any information concerning the current whereabouts of David Salamone or Broadsword, Ltd. is requested to contact the U.S. Securities and Exchange Commission at Seven World Trade Center, Suite 1300, New York, New York 10048; Attn: Daniel R. Schnipper, Esq. (212) 748-8194.

COMPANY NOTICE

Continental (Bermuda) Limited
US $ 250,000,000
[redacted] Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice [redacted] hereby given that as at the valuation [redacted] 11th [redacted] 1994, [redacted] value of the zero-coupon obligations (or certificates representing interests in obligations of the United States of America was US [redacted] 62,751,522.91. The [redacted] of the [redacted] security was thus 67.34 percent of the principal amount of Notes outstanding at the valuation date.

The [redacted] publication [redacted] figures [redacted] solely [redacted] and [redacted] the [redacted] for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-[redacted] obligations of [redacted] United States [redacted] America or the Reserve Fund Investments.

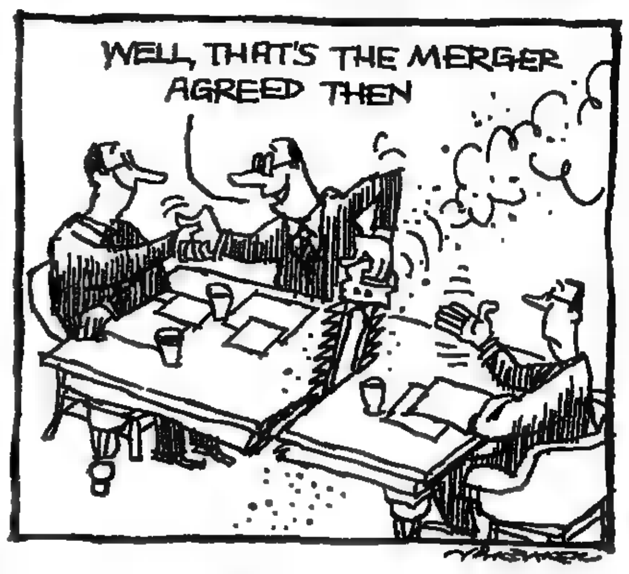
Valuation Agent,
Giro Credit Bank Aktiengesellschaft der Sparkassen, London [redacted]

CONTRACTS & TENDERS

BUSINESS AND THE LAW

Looking after number three

Celia Hampton explains how protection could be extended to outsiders in European mergers



A [redacted] have [redacted] party [redacted] to be [redacted] by a European Commission [redacted] decision. The [redacted] that a merger would [redacted] acceptable [redacted] a competition point [redacted] view if [redacted] had [redacted] other competitors in the market. The sacrifice [redacted] a [redacted] arrangement [redacted] "third party" [redacted] seem a small price [redacted] for approval [redacted] merger. If accepted, the Commission [redacted] a [redacted] of the merger's [redacted].

[redacted] a finding for or against the [redacted] party. [redacted] no judgment [redacted] on the [redacted] third party's [redacted] or competitive position. [redacted] simply [redacted] companies seeking approval [redacted] ship [redacted] party.

[redacted] seriously [redacted] the third party's [redacted] through [redacted] be [redacted] in principle [redacted] the [redacted] simply [redacted] ignore it.

[redacted] party can [redacted] protected [redacted] culty. A merger [redacted] a legally [redacted] a view [redacted] securing a [redacted] petitive [redacted] in [redacted] public interest. [redacted] nevertheless given for [redacted] of [redacted] *merging companies*, [redacted] general legislation affecting [redacted] equally. [redacted] interests [redacted] even-handedly. Favouring [redacted]. It could be argued that a merger decision that lacks this balance should be struck down by the European Court.

A third party may undoubtedly seek annulment of a Commission decision if denied procedural rights, such as the right to make its views known during the merger inquiry. Yet private parties have no right to make the Commission take any notice of their views. Their legal rights can only be fully protected if the Commission has to consider them when deciding whether to approve a merger.

The Court of First Instance has a case pending in which a ruling to this effect may be made. Indeed, the issue has already been identified as a serious one. On June 15, Mr Cruz Vilaça, the court's president, suspended the relevant part of a merger decision until the court deals with the third party's claims in depth*.

The [redacted] brought by *SCPA*, [redacted] *potash* [redacted]. In [redacted] the acquisition of [redacted] the former [redacted] German potash producer, [redacted] (K+S), a subsidiary of [redacted] group BASF.

As [redacted] clearance, [redacted] told K+S [redacted] own and [redacted] in Kali-Export, a Vienna-based export agency handling sales by four European potash producers [redacted] world [redacted] partner in Kali-Export.

Mr [redacted] Vilaça [redacted] K+S's departure from Kali-Export [redacted] inevitably [redacted] closure. As [redacted] result, [redacted] would [redacted] its [redacted] international marketing arm, [redacted] the [redacted] in the Commission's [redacted] decision [redacted] be [redacted] until the [redacted] had [redacted] – and, if [redacted] – [redacted] rights in Kali-Export [redacted] be protected.

European law might be expected to [redacted] the fairly [redacted] rule that the [redacted] not allow [redacted] person [redacted] be deprived [redacted] rights without providing a remedy. The court *could strike out the condition* under articles 173 and 174 of the EC treaty, on the ground that it infringed the treaty or "any rule of law relating [redacted] application". [redacted] would [redacted] troublesome question [redacted] whether the [redacted] could be [redacted] to [redacted] ahead. [redacted] of the [redacted] might undermine [redacted] reasoning [redacted].

More generally, a high level of protection for the third [redacted] limit [redacted] room for manoeuvre under [redacted] Merger Regulation. If the third party could stop it imposing a particular condition, the merger might [redacted] to [redacted] prohibited.

The court might decide that the harm to the third party should be remedied after the event by private law means, such as damages. Compensation may be available anyway. For example, the company that is told to cancel its agreement with a third party may be liable for breach of contract.

But private litigation is expensive and risky. The company that causes the [redacted] the third party might escape liability for some reason. There *might be no relevant right of* action, [redacted] compensation might not be an adequate remedy.

The [redacted] imposed by the Commission tend to affect long-term proprietorial inter[redacted] rather than day-to-day [redacted] dealings. This reflects the Merger Regulation's *concern with* [redacted] of industry rather than its business conduct. It also [redacted] more probable that a third party's [redacted] be fully compensated by [redacted] alone.

Examples of conditions imposed by the Commission include sale of a shareholding by one of the merging companies, disposal of [redacted] entire busi[redacted] in [redacted] particular market, termination of overlapping memberships of company boards and non-renewal of a patent licensing agreement. Potential harm [redacted] third parties may be mitigated in the decision. For example, it may allow time for the sale [redacted] a large shareholding to safeguard the [redacted] price.

Private remedies might yield a satisfactory solution in the individual case. This would [redacted] without its burdens [redacted] Commission, however. It would [redacted] reasonable to expect it to [redacted] sure [redacted] the third party *had an effective* [redacted] *action* and remedy. The [redacted] might [redacted] deal with the issue of liability to third parties and make payment of compensation a condition [redacted] clearance. Within [redacted] tight Merger Regulation timetable, this might prove impractical. The question might [redacted] referred [redacted] arbitration.

Overall it seems unlikely that the court will ride rough[redacted] rights of [redacted] parties. It has repeatedly recog[redacted] their right [redacted] challenge competition rulings and approvals [redacted]. It seems [redacted] court [redacted] yet overturned a Commission [redacted] specifically because [redacted] harm [redacted] third party's subsisting legal rights. It now has the opportunity [redacted] do so, or at least [redacted] when it should [redacted] done.

[redacted] Société commerciale des [redacted] et de l'[redacted] Commission [redacted] Kali+Salz/MdK/Treuhand, [redacted]

The author is editor of Business Law Europe, published by FT Newsletters

OFFICE EQUIPMENT

BUSINESSES WANTED

CONTRACTS & TENDERS

HELLENIC OF GREECE
MINISTRY OF TOURISM

INVITATION TO SHOW INTEREST IN THE DEVELOPMENT OF CASINO AND MARINA ENTERPRISES IN THE LAND AND SEA AREA OF PHLISVOS, ATTIKI

(Ministerial Decision 1364/1994
***Government Gazette 615B/1994*)**

[redacted] parties are hereby invited to take delivery of the particulars of [redacted] competition for the award to the highest bidder of the development of the sea and land areas of Phlisvos, Attiki, as those are defined in the joint ministerial decision of the Ministers of Tourism and of Environment, Planning and Public [redacted] (Joint Ministerial [redacted] 1363/1994, Government [redacted] 827Δ/1994)

The development of the following installations and buildings is permitted in the land area, in accordance with the site construction terms laid down by the joint ministerial decision:

a. Construction of marina management offices and marina support premises.
b. A 4000 - seat conference centre.
c. [redacted] luxury hotel with [redacted] maximum capacity of 300 beds.
d. Casino with a total area of 18.000 square metres.,
e. Open-air car parks to international specifications.
f. Landscaping of the surrounding gardens and other ornamental work.

In the sea area, the award will provide for completion of the work already in progress and the construction and operation of [redacted] marina to international specifications.

The completion will be conducted the terms and conditions laid down by decision of the Minster of Tourism no. 920/1994 (Government Gazette 422B), in conjunction with Law 2206/94, Article 57 of Law 2224/94, and Law 2160/1993, Article 30ff, as those have been supplemented by decision no. 1364/1994 of the minister of Tourism and Joint Ministerial Decision no. [redacted]

Investors wishing to take part in the competition may obtain the necessary details as of the date of publication of the present notice in the Press, from the following address:

MINISTRY [redacted]
SECRETARIAT OF THE INTERNATIONAL COMPETITION FOR THE [redacted] THE HIGHEST BIDDERS
2 AMERIKIS ST.
5th FLOOR [redacted] OFFICES 517-518
[redacted] • ATHENS • GREECE
TEL: [redacted] FAX: [redacted]

TECHNOLOGY

Virtual repairs for hole in the road

Welsh Water is using interactive systems, writes David Traherne

A public utility in the UK will use virtual reality for the first time this year to show customers why a busy road must be closed and dug up.

Welsh Water, the privatised water company, will use a personal [redacted] interactive virtual reality system at public meetings in Wrexham, north Wales, to show the public how a sewerage rehabilitation scheme will affect the local community.

The system will replace "costly" and "less flexible" rigid models of the proposed work.

In addition to the PC-based interactive system, Welsh Water plans to make [redacted] "textured" [redacted] available on video, which uses photographs of the actual buil[redacted] in the affected street to make the scene more realistic, created on a RealityEngine from the US-based Silicon Graphics.

Much of the research for the project has been carried out by Intelligent Systems Solutions, based in Salford. The company has been working with [redacted]. Barber Group, [redacted] civil engineering consultancy based in Cheshire, which hopes the money-saving technique of creating virtual environments on PCs then sending them to higher level [redacted] for texturing will attract a broad customer base.

Roger Moore, planning manager with Welsh Water, says that illustrating the disruption caused by sewerage work is particularly important because sewers are usually deeper and larger than other services. As a result, the disturbance during rehabilitation work is considerable.

The public will be able to "fly" along 600m of street affected by the work stopping outside their own virtual house or business. [redacted] will also be possible to "fly" down [redacted] the decaying sewerage system.

Clicking on icons in the virtual pavement will activate a real-time video of the sewer. And the effects of [redacted] sewer overflow will also be shown. "Our customers will be able to evaluate the extent of the proposed excavation and use the system to make changes," says Moore.

To keep costs down, most of the work to create the virtual world is being done on PCs. But the graphics are not as good as those on more expensive higher level machines so the information is sent from one to the other.

"The graphics and [redacted] structure of something with the complexity [redacted] the [redacted] world [redacted] ported from the PC to a RealityEngine where it is rendered using photographs of the real world as well as geometrical objects," explains Andy Connell, lead virtual reality researcher at Intelligent Systems Solutions.

These techniques mean "£1,000 platforms do 90 per cent of the job, making the work affordable to companies like N.W. Barber," he adds.

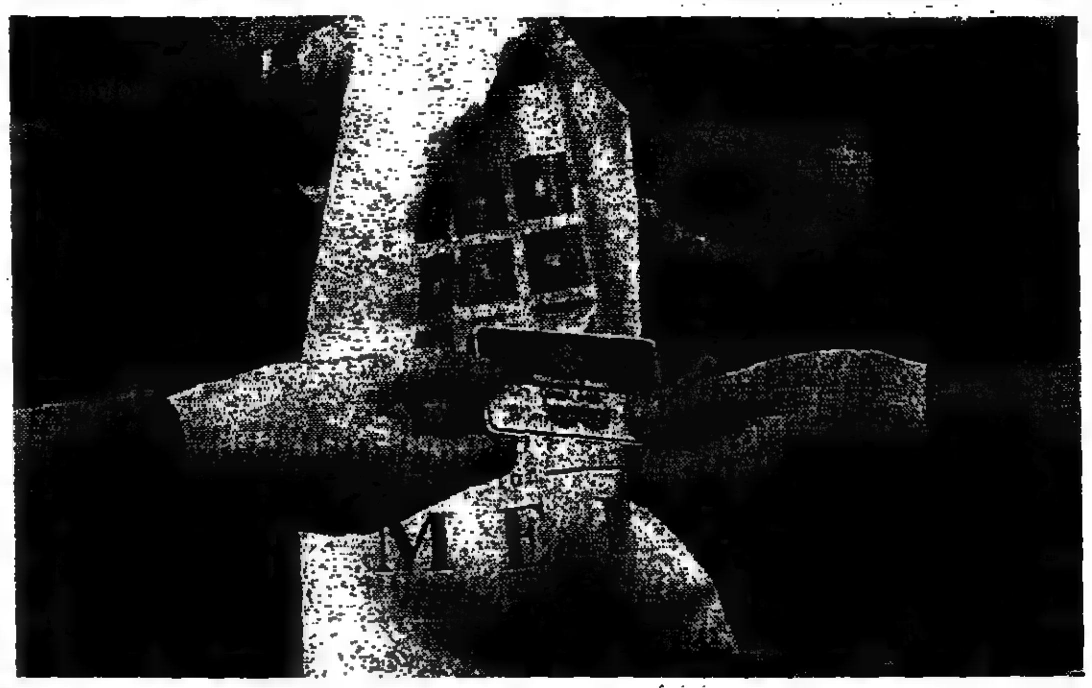
To create the virtual world for Welsh Water, Intelligent Systems is using Ordnance Survey information of the local area to form the backdrop above ground. Individual elements such as virtual houses, business premises, road machinery and street furniture (telephone boxes, road cones and street signs) are stored in a library on a PC before being called up to build the virtual [redacted].

If the demonstration is successful, Moore believes it could help raise the profile of public consultation meetings which are [redacted] with [redacted] apathy". The public, he says, is often unimpressed and confused by plan drawings provided by consultants. They can in some cases be hard to interpret, he adds.

"The use of virtual reality will bring clarity to our presentation and best explain to our customers how the work will impact on the local community."

Dave Walters, associate in research and technological development at N.W. Barber, says other water companies are now exploring uses for the virtual reality system.

South West Water plans to use a similar technique to illustrate why it needs to dig up parts of [redacted] road close to an ancient monument – Exeter Cathedral. Thames [redacted] is considering ways the system might be used to [redacted] how a new sewerage pumping station in south-east London, will blend with its surroundings.



Added value: chip technology will be safer, cheaper, faster and able to offer more services to the cardholder

Alan Harper

The next smart move

The payment card's magnetic stripe will be ousted by the more highly evolved single chip, says Alison Smith

The magnetic stripe on payment cards is moving further up the list of endangered species.

Though it will be [redacted] before it finally becomes extinct, progress in developing "chip" [redacted] integrated [redacted] technology for [redacted] means that its [redacted] approaching.

It [redacted] be [redacted] couple of years before a single-chip card [redacted] operate across borders or at a great number of outlets internationally. But after five to 10 years of parallel technology, cash dispensers and point-of-sale terminals, the natural habitat of payment cards' magnetic stripe, will have changed to suit only the more highly evolved "smart" card.

"The more complex the card, the more complex the point-of-sale needs to be," says Jean-Jacques Desbons, president and chief executive of Visa International, Europe, the Middle East and Africa. Visa is one of the three leading international payment card organisations which, by the end of this year, are due to have agreed common technical specifications for chip cards.

Later this month the three – comprising [redacted] Europay [redacted] and [redacted] International – should have agreed definitions for how the chip card and point-of-sale terminal will deliver services to the [redacted]. That will [redacted] ond stage of three sets of specifica[redacted] for chip [redacted]. The [redacted] is intended to be completed by the end of this [redacted].

[redacted] set, dealing with electrical and mechanical specifications for making chip cards and for point-of-sale terminals, was signed off, enabling manufacturers to begin work on microprocessor chips in payment cards. The third stage will cover how a transaction will be completed.

But the process of realising [redacted] card issuers' aim of more secure cards with [redacted] wealth of [redacted] services is [redacted] slow and expensive one: Visa says both it and Mastercard have [redacted] working on [redacted] dards for chip cards for four years.

The length of the process is partly determined by the pace of technological developments. There is also diplomacy involved in the delicate task of achieving co-operation without destroying competition. Compatibility and acceptability are key selling points for the product.

"It's about finding a common technical platform which allows for different products," [redacted] van den Bosch, Europay's director of commercial affairs. "First you have to agree on what you're going to agree about."

The scope for diversity is particularly important [redacted] justifying in business terms the investment a move [redacted] chip technology [redacted] require from thousands of organisations internationally.

The pressure to develop chip technology began as an anti-fraud measure, [redacted] the basis that it would significantly cut[redacted] from card fraud and make card security cheaper.

Van den Bosch says that the chip card is safer and is much more difficult to "crack". Its other advantage, of course, is that it enables much more information to be stored.

The chip should also be able to deliver cheaper authorisation methods. Authorisation on magnetic stripe cards involves telecommunications costs in a significant proportion of transactions.

The chip card cuts costs by allowing more transactions to be authorised off-line. "Europe is not going to go [redacted] way [redacted] the US [redacted] went in authorising on-line almost all transactions," says Desbons.

"The chip card can identify the cardholder, authenticate the card and authorise the transaction all in an off-line mode."

In spite of these two savings, [redacted] agreement within the plastic card industry that the billions of US dollars in investment worldwide can be justified only by using the capacity of the chip to deliver new services.

"I don't think using the chip for security reasons will bring enough savings to the table to justify the overall investment," says Desbons. "I do [redacted] the in[redacted] is needed, but to make it happen value-added functions have to be included."

These functions will vary widely. Perhaps one quarter of the chip's capacity would be devoted to common functions, with a further quarter for functions specified by the payment system and another for functions chosen by the issuing bank.

Storing information [redacted] customers, from their status with their bank manager to the type of hire car they prefer, is envisaged as a way of speeding up procedures at, [redacted] example, hotel check-ins and adding value to [redacted].

Such plans are still at an early stage. A more immediate issue is to resolve sensitivity about how the new specifications impinge on chip card systems already in use.

The French banks, for example, have introduced chip [redacted] and they are unlikely to be content with specifications requiring them to start again when 20m or so cards are in [redacted].

At the same time, there is no wish to simply follow the French lead to fit in with their system.

The approach of the payment organisations seems to be almost to regard the French system as a giant pilot study: they are ready to learn from the experience while recognising that improvements must be made.

In the UK plans are much less advanced, with Apacs, the payment clearing services association, recently approving the start of the first phase of developing a method of authenticating chip cards.

Such different rates of progress show the importance [redacted] tional specifications in this area. Only [redacted] they have been [redacted] will the evolution of the chip card gather pace.

Drugs prices pressure

Companies that pioneer new pharmaceutical products are being caught up much more quickly by their competitors than in previous years, according to a report* by Datamonitor.

To try and offset this declining exclusivity, they are developing drugs more quickly. Zeneca of the UK, for example, is consistently achieving its target of administering drugs to human volunteers within 14 months of synthesis, compared with 30 months previously.

In the days when there was more time before the arrival of "me-too" products, SmithKline Beecham's anti-ulcer drug Tagamet was on the market for eight years before the launch of Glaxo's Zantac. But Glaxo's anti-nausea compound Zofran was on the market for only a year before SmithKline Beecham launched its rival Kytril.

The increased competition has put more rapid pressure on prices, says Datamonitor, which expects only sluggish volume growth in the market for the rest of this decade.

This pressure will be accentuated by increased exposure to non-patented generic competition. By December 1997, there will be \$10bn (£6.4bn) worth of sales within the portfolios of 14 US pharmaceuticals companies subject to generic competition.

More than half the top 50 drugs in the US will lose patent protection over the next four years.

Prices can fall as much as 70 per cent within [redacted] months of patent expiry. Those categories most exposed to generic competition are anti-hypertensives, non-steroidal anti-inflammatories for arthritis and pain; anxiolytics; and B-2 stimulants for asthma.

Companies will attempt to offset patent expiries, when they can, by launching over-the-counter, non-prescription versions.

The Pharmaceutical Industry in the 21st Century; New Structures, New Dynamics, 071 625 8545.

Paul Abrahams

PEOPLE

Swan's Marsh joins Babcock

Alex Marsh, 48, [redacted] former chief executive of Swan Hunter, the troubled Tyneside shipbuilder, is joining Babcock International to help prepare its bid for the Rosyth Royal Dockyard which is to be sold off by the government.

Marsh, who led the £5m management buy-out from British Shipbuilders in 1986, lost his job at Swan Hunter some months ago but had been acting as a consultant to Price Waterhouse, which was called in as the shipyard's receivers in May 1993.

Swan Hunter, which used to be the UK's leading builder of surface warships, is faced with closure if the receivers cannot find a buyer. The yard's workforce has fallen from 8,300 ten years ago to about 600 now rently and time is running out. The receiver has threatened to axe the firm's design and technical team at the end of the month and if this goes the prospects of being able to bid for major new work disappear.

France's Constructions Mécaniq[redacted] de Normandie [redacted] the only company to show any interest in rescuing Swan but its willingness to take over the yard is dependent on [redacted] winning new work. Ironically, one of the last chances Swan had to win new business, the refit of the Royal Navy's landing ship Sir Bedivere, went to [redacted] Rosyth yard [redacted].

Babcock International has [redacted] through [redacted] rough patch. It lost £41.2m in its last financial year and its facilities management division, which manages Rosyth for the Ministry of Defence, is the most profitable part of its business. It [redacted] £10.5m last year but Babcock's management contract expires in April 1996 and the company has to plan how to respond to the government's decision to sell Rosyth.

[redacted] new [redacted] John Parker is a former deputy c[redacted] executive of [redacted]h Shipbuilders and his [redacted] to bring in Marsh, [redacted] British Shipbuilders' executive, will be seen as evidence of Babcock's commitment to hang on to its Rosyth business. Marsh joins at the end of the month as marketing [redacted] strategic director of Babcock's facilities management division.

Per [redacted] Loof (above), appointed [redacted] Istel, the European [redacted] systems integration subsidiary [redacted] the [redacted] telecoms giant, [redacted] the third of [redacted] Europe's [redacted] recruits [redacted] be poached [redacted] Digital.

In February, AT&T appointed [redacted] Carlo Falotti, Digital's former European head, [redacted] European [redacted] executive. Loof, [redacted] Digi[redacted] European [redacted] marketing vice-president, [redacted] to [redacted] on [redacted] coat-tails.

[redacted] employees, [redacted] largest European [redacted] ture. [redacted] European strat[redacted] remains unclear, but [redacted] deal last [redacted] with Unisource, [redacted] joint venture [redacted] Dutch, Swedish, [redacted] and Spanish national [redacted] operators, underlines [redacted] commitment [redacted] Euro[redacted] market, and [redacted] commu[redacted] will be critical [redacted] European advance by AT&T.

Loof's [redacted] promoting Digital in the financial services [redacted] will be especially useful at [redacted] Digital [redacted] was at Arthur Anderson, in Sweden [redacted] the US.

Peter Teague, [redacted] current [redacted] executive, [redacted] become vice president [redacted] chief financial [redacted] UK, [redacted] expanding after gaining [redacted] draft [redacted] telecoms licence [redacted] month.

H.P. Bulmer, the cider maker, has appointed Alan Flockhart, 49, as its new finance director, replacing Michael Ward, who recently took up the same role with Lloyds [redacted].

Ward in turn replaced Richard Steele, now finance director at Storehouse. Ward first joined the company in May 1989, leaving his post as finance director of Bassett Foods.

Flockhart is no stranger to brewing; he is joining Bulmer from Wolverhampton and Dudley Breweries, where he has been finance [redacted] since 1985. Before that he was finance director of Scottish Brewers, a subsidiary of Scottish and [redacted].

The UK's largest cider producer – it makes nearly half of the 92m gallons annually con[redacted] – [redacted] recently adopted a new policy of recruiting 200 part-time tasters to help maintain quality.

Finance moves

■ Michael Wrobel, md of Fidelity Pensions Management, is appointed md of GARTMORE Investment Trust Management.

■ Mark Brumby, Kathy Clarkson, Robin Gilbert, Richard Noel, Harry Philips and Keith Wilson have been appointed directors of PANMURE GORDON & Co.

■ William Eccles, Henry Hunt and Richard Simpson have been appointed directors of FOREIGN & COLONIAL MANAGEMENT.

■ Michael Freyd, formerly director and head of global central clearing at UBS, has been appointed a director of OBJECTIVE ASSET MANAGEMENT, Objective Asset Management (Institutions), and Objective Asset Trust Management.

■ Tim Henderson, ceo of Leopold Joseph Holdings (Guernsey), has been appointed a director of LEOPOLD JOSEPH & SONS.

■ Miller McLean has been promoted to become director, group legal and regulatory affairs and group secretary of the ROYAL BANK OF SCOTLAND in succession to Kennedy Foster who has been appointed regional manager, Central Scotland and South Fife.

■ John Breen has been appointed head of group property for HSBC Holdings, based in London; he is succeeded as md of Wayfoong Property in Hong Kong by John Arnold, its director of property.

■ Andrew Pocock, [redacted] former adviser to the World Bank and former director of Samuel Montagu, has been appointed senior vice-president and manager of the London branch [redacted] GULF INTERNATIONAL [redacted] BSC.

ARTS

He may have taken the train to the countryside but there are no suburban influences here: Van Gogh's 'Wheatfield with Reaper'

Layers of Impressionism

Never mind the strategies, the pictures are fine says **William Packer**

Monet to Matisse is one of those curious but not unrewarding shows that adds up to a little less than the sum of its parts. The National Gallery of Scotland's 1970s extension is a poky warren of a place, but it does put a natural limit to any exhibition, forcing a disciplined choice upon its curator and keeping it to a blessedly digestible size. In this case the installation may be fussy and intrusive but, in the face of the works themselves, it is easy enough to ignore.

The trawl made by Richard Thomson through public and private collections around the world, most especially through the provincial museums of France, has yielded an exceptionally rich haul of beautiful and often unfamiliar things. He has taken them to serve his theoretical purpose: we, for our part, may relish them for themselves, and we thank him for that.

The main title is a shade misleading, for there is more to it than the narrow impressionist-to-post-impressionist line. Rather, in beginning around 1874, the year of the first Impressionist Exhibition and the coining of the eponymous epithet itself, and running on until the outbreak of the first world war, it takes landscape painting in its period in its broadest aspect, from Corot to Bonnard. Here are Salon painters such as Sage and Ponson, social realists such as Cazin and Martin, mystics and symbolists such as Puvis de Chavannes and Moreau, and many minor or neglected figures besides, such as Valloton, le Sidaner, Roussel and Guillemet, to set beside the great names from Monet to Picasso, Cézanne to Matisse.

Furthermore, by taking certain themes or approaches turn by turn – the Suburbs of Paris; the Channel Coast; the Mediterranean; the Ideal; Vision and Metamorphosis; and so on – the conventional chronology is overthrown by the inevitable over-lappings and comparisons. Early and late, simultaneity is all, making the fundamental art-historical point that artists of all kinds go on producing serious and significant work long after another generation has come in, another *ism* taken over.

Some of these groups are wonderfully strong – the paintings of Notre Dame by Matisse, Marquet and Segonzac, for example; haystacks by Gauguin, Monet and Van Gogh; two pastoral idylls – one by Roussel, of lovers beneath a tree, the other by Picasso, in his run-up to Cubism – of single figures similarly disposed. So it goes on, with painting after painting memorable for itself – Bonnard's railway train puffing one way, his barge the other; Valloton's terrified Pentheus fleeing the furies across the dark green hillside; Renoir's sunlit rocks and bushes at l'Estaque; le Sidaner's town square; Seurat's Gravelines; Monet's le Havre water-front, his ice breaking up at Vetheuil, his boatyard on the Seine...

Only when we come to the rationale do we hit trouble. Having brought such lovely things together, Dr Thomson then seems to suggest that their physical and painterly qualities as works of art are not really the point at all. What fascinates him is their documentary interest in the social and economic context of the times. "After 1870", he writes in his catalogue, "pressing public debate about suburban expansion brought the issue into the artist's focus. The suburban motif was perhaps of all landscapes the one most quintessentially modern, and the painter had to confront (sic) and find forms for change."

Monet moved to Argenteuil in the 1870s and the paintings he made there, Dr Thomson continues, "can be read as images of national reconstruction after the Franco-Prussian War... a picture of leisure along the suburban Seine could... be taken to imply prosperity and stability regained... In one painting of 1873, he adopted a distinctly layered composition... first a rank of saplings marking the end of the meadow... next a line of newly erected houses, then a bank of well-established trees, and finally the medieval spire... a visual classification in which is inherent the notion of past, present and future: the perfect pictorial structuring... of suburban flux. It was a strategy shared with other artists."

The snag with these distinct layers, classifications, inherent notions, pictorial structures and strategies is that they relate only to Dr Thomson's own interests and readings of the work. Social developments do, of course, affect artists directly, and it is certainly true that the recent development of the railways had made the Parisian hinterland, indeed the Mediterranean, more readily accessible to them. If a particular landscape appealed, it did so for incidental and formal reasons acknowledged more by intuition than any conscious analysis. And if a factory chimney was there instead of a church spire, or a railway rather than an old road, so be it. The mistake lies only in the ascription of motives or, as Dr Thomson would say, strategies, that were never there. The pictures are fine.

Monet to Matisse – Landscape Painting in France 1874-1914: National Gallery of Scotland, Edinburgh, until October 23; sponsored by Fondation Elf.

Edinburgh Festival

Russian recitals

When relations with Gorbachev's Soviet Union started to warm, the Edinburgh Festival was quick to fill its programmes with the country's finest opera companies. In the last couple of years we have regrettably seen less of them, but the link remains and a couple of recitals this year have reminded us of what we are missing.

Even the great Russian bear only disgorges a voice like Galina Gorchakova's once in a generation. In arias by Verdi and Puccini at the Queen's Hall she let fly with singing of a vocal intensity that sent shivers down one's back, sometimes covering the voice to produce a black thundercloud of a sound, more often driving it straight ahead with searing ferocity. Here at last is a worthy successor to the inimitable Galina Vishnevskaya.

Those, however, were just the encores at her morning recital on Friday. The intimacy of the hall demands songs rather than blazing operatic arias and Gorchakova's programme had been a broad selection of Russian composers, including Glinka, Dargomyzhsky, Balakirev and Rimsky-Korsakov – a brave choice, both for the unfamiliarity of the songs and because she was tackling inward-looking music that cannot be second nature to her.

Restricted to drawing-room good manners, the voice behaves itself surprisingly well. Occasionally the pitch slipped just below the note when she was fining away the ends of quiet phrases, but the scale of the singing always made sense. Gorchakova is doubly fortunate that her soprano sounds as alive when she is singing softly as it does at full throttle.

As a song interpreter, she seizes upon any opportunity to dramatise. Rachmaninov's vivid picture of a lonely poet gripped by panic in the black of night became a tense, first-hand experience. In Tchaikovsky's "Do not believe, my friend" the passion of the central section was made to contrast strikingly with the down-hearted sorrow on either side.

At her unforgettable recital at the 1992 festival Olga Borodina gave us a very different Tchaikovsky. These two singers are among the new stars of the Maryinsky Opera, which is entering a golden period under the artistic directorship of Valery Gergiev. They both use the services of his sister, Larissa Gergieva, as accompanist, but that does not mean that their singing comes out the same. It was fascinating to hear Gergieva making Tchaikovsky's "Lullaby" so light and airy for Gorchakova, when it had been heavy with presentiment of danger for Borodina two years before.

The mezzo returned this year to give her own Queen's Hall morning recital a couple of days earlier. (Gorchakova was in the audience, a sign of the Maryinsky's close company spirit.) She began in what I can best describe as 11-o'-clock-in-the-morning voice, not yet able to make phrases flow easily one into another. But once into her stride, she showed again (if briefly) why she has to be ranked one of the leading recitalists of today.

There were just three Rachmaninov songs that touched greatness. What makes Borodina so special is her ability to create for a song a sound world of its own: "How fair this place" a luminous, out-of-doors radiance; "Oh, do not grieve" plumbing the darkest shadows of her deep mezzo; and "Lilacs" brushed with soft pastel shades. Every song becomes an individual statement to be savoured and Borodina takes her time summoning her concentration for each in turn.

The second half was cleverly planned to lead from a strong performance of Shostakovich's Spanish Songs to the real thing in Falla's Seven Spanish Folksongs. But the Mediterranean spontaneity of the Falla is foreign to Borodina's deeply thought-out singing and the cycle failed to take off. Her heart lies in St. Petersburg, a city which is proving to be the cradle of Russian singing for a whole new generation.

Richard Fairman

The Queen's Hall series is sponsored by the Bank of Scotland

Superb cast for Rossini's 'Semiramide'

David Murray finds singing ranging from the excellent to the electrifying in De Ana's production at the Pesaro festival

At Pesaro, the Rossini Opera Festival sprang into full glory on Sunday with a *Semiramide* of unusual breadth and much splendour. Where Dario Fo's exuberant version of the "dramma giocoso" *L'Italiana in Algeri* was adorned by its sopranos but slightly foxed by another singer or two, Hugo De Ana's grand staging of the uncut "melodramma tragico" provides an arena for Rossini singing that ranges from the excellent to the electrifying.

Aficionados with money and leisure might note that it is repeated tonight, Thursday and Sunday. On the first night in the Palazzo del Sport – renamed the "Palafestival" for the occasion – the house was large but not quite full. The production is a revival from two years back, after all, though with almost entirely new personnel, and not counting the interval, *Semiramide* takes about four hours uncut: not a prospect to be viewed lightly.

This time it can be viewed with excited anticipation. *Semiramide* was the last opera Rossini wrote in Italy, and the one for which he stretched his "conservative" skills to sumptuous limits. It is a grandiose model of symmetry and balance, despite its shocking events – near-incest, betrayal and murder. In the interests of both economy and its most striking vocal episodes, it is usually trimmed hard; but Philip Gossett and Alberto Zedda, the Fondazione Rossini editors, would argue that nothing less than the complete score can reveal Rossini's mastery of the largest scale.

The essential thing is to have the right singers, who must nowadays be near-freakish in their command of early 19th-century technique and feeling. Rossini's long, leisurely periods need and expect spectacular vocal display as highlights, no less to illuminate the drama than to show off star voices. At Pesaro we have it all. Roger Norrington conducts the Stuttgart Radio Symphony vitally as well as stylishly: he finds a musical thrust even in passages which might seem datedly conventional, and with his tingling support his star singers rise to great heights.

The plot of *Semiramide* is a twisted echo of the Agamemnon story. Semiramide is the Clytemnestra-figure, Assur her guilty partner in uxoricide, young Arsace (a breeches-role) the new Orestes who comes both to avenge his father Nino – whose ghostly utterances are formidably delivered by Riccardo Ferrari – and to risk succumbing unawares to his mother. None of this has the unsentimental clarity of the Greeks; on the contrary, the principals express themselves in wild bravura roulades, such as only deep-dyed Rossinians can deliver with conviction.

Cecilia Gasdia, a great Pesaro regular, does that as Semiramide. White-faced, greedy-fingered and at last desperate, she passes from elegant calculation to full-cry despair, and her nuances in all these fireworks command our sympathy and amazement. Arsace and his cruel fate are incarnated by Martine Dupuy with an extraordinary range of vocal colour, from submissive sweetness to hackle-grabbing eruptions.

The third member of a memorable trio is the American Rockwell Blake as the extraneous character Idreno, who vainly loves the extraneous Azema (Ornella Bonomelli, modestly warm and charming). By modern standards, Idreno gets some of Rossini's most impossibly virtuoso tenor-writing; Blake is dry-ish but clean and glisteningly metallic, with swift, mercurial, dazzlingly accurate flashes. Can any other modern tenor come close to that? Less spectacular but soundly committed, the Assur of the baritone Michele Pertusi (sole survivor, I think, from the 1992 cast) grows powerfully toward his last tortured moments.

De Ana's production is sharper by a long way than his recent Rossini for Covent Garden, *Mosè in Egitto*. There, handsome *tableaux* were dully compromised by flaccid dramatic effects; here, his aesthetic contrivances for the choruses – especially all the photogenic stuff with spears – reinforce the tense relations between the "heroes" but leave them to get on with them in nakedly personal style. De Ana takes fullest advantage of the P. del S.'s reach, the better to emphasise the lonely centrality of the principals.

Warmly if extravagantly recommended, then, to those with a devoted interest in Rossini's *opere serie*. The night before we had his *Stabat Mater* recreated almost as potently by Gianluigi Gelmetti with the same orchestra, choruses from Prague and Warsaw and two passionate soloists. The soprano Anna Caterina Antonacci and the warm, faultlessly intelligent bass Roberto Scandiuzzi carried all before them. The others – tenor Marcello Giordani and contralto Gloria Scalchi – were just routinely lusty; but we heard enough to be persuaded that Rossini's "conservative" Italian idiom rewards any amount of attention.

Semiramide production sponsored by the Banco Popolare dell'Adriatico. Festival tickets: tel. 01039-721-33184; fax 30979

De Ana's staging is sharper by a long way than in his recent 'Mosè in Egitto' for Covent Garden

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Gustav Leonhardt conducts Orchestra of the 18th Century in works by Purcell, Muffat and Bach. Tomorrow: Jan-Willem de Vriend conducts Combattimento Consort in Marini, Vivaldi, Viotti and Mozart. Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Berg, Beethoven and Brahms, with piano soloist Radu Lupu. Fri: Richard Dufallo conducts Rotterdam Philharmonic Orchestra in Fauré, Ravel and Poulenc, with violin soloist Augustin Dumay. Sat: Chailly conducts works by Stravinsky and Mahler. Sun: Roberto Benzi conducts the Gelders Orchestra in Debussy, Paganini, Rakhmaninov and Stravinsky, with piano soloist Enrico Pace. Mon: I Fiamminghi chamber orchestra plays works by Wagner, Rossini, Tchaikovsky and Beethoven (24-hour information service 020-675 4411, ticket reservations 020-671 8345)

Muziektheater The Netherlands Opera opens its new season on Sep 3 with Lady Macbeth of Mtsensk, staged by David Pountney and conducted by Hartmut Haenchen, with a cast headed by Eva-Maria Bundschuh, Vladimir Galusin and Willard White. Dutch National Ballet's first programme is a mixed bill opening on Sep 5, with choreographies by Balanchine, Fernandez and Van Dantzig (020-625 5455)

■ ATHENS

ATHENS FESTIVAL
Seiji Ozawa conducts the Saito Kinen Orchestra tomorrow at the Odeon of Herodes Atticus, in a programme including Stravinsky's Pulcinella and Tchaikovsky's Fourth Symphony. Theodor Guschlbauer conducts the Strasbourg Philharmonic in French music on Sat and Sun. Kirov Ballet gives four performances starting on Aug 31. Riccardo Muti conducts the Vienna Philharmonic on Sep 6 and 7 (Athens Festival box office Tel 01-322 1459/01-322 3111)

EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 1,400-seat amphitheatre at Epidaurus hosts performances of Greek classical drama on most weekends throughout the summer. State Theatre of Northern Greece presents Aristophanes' The Birds on Sat and Sun, followed on Sep 3 and 4 by the Peter Hall Company's production of Aristophanes' Lysistrata. Tickets are available daily at the Athens Festival box office or the theatre of Epidaurus on Fri, Sat and Sun (0753-22006)

■ CHICAGO

RAVINIA FESTIVAL
Hubbard Street Dance Chicago opens a week of performances tonight, featuring choreographies by James Kudelka and Mauricio Wainrot (daily till Sat). The festival ends on Sun, when Erich Kunzel conducts Ravinia Festival Orchestra in a Tchaikovsky programme, with violin soloist Miriam Fried. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chocago area, call 1-800-433-8819.

■ COPENHAGEN

Tivoli Tonight: Lorin Maazel conducts Pittsburgh Symphony Orchestra in Prokofiev's Fifth Symphony and Brahms' First. Thurs: Niels Muus conducts Tivoli Symphony Orchestra in extracts from operas by Donizetti and Bellini, with vocal soloists. The summer concert season runs till Sep 18 (3315 1012)

■ LONDON

THEATRE
- The Seagull: Judi Dench heads a splendid cast in Pam Gems's new version of the Chekhov play (National 071-928 2252)
- The Prime of Miss Jean Brodie: Patricia Hodge stars in a stage adaptation of Muriel Spark's novel (Churchill Theatre, Bromley, 18 mins by train from Victoria 081-460 6677)
- Saint Joan: Imogen Stubbs is the soldier saint in this fine staging of Shaw's wordy but gripping chronicle play (Strand 071-930 8800)
- Le Cid: a worthy revival of Corneille's landmark 17th century drama, in an RSC production directed by Jonathan Kent (The Pit 071-638 8891)
- The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Comedy 071-369 1731)
- The Cryptogram: Lindsay Duncan and Eddie Izzard star in David Mamet's new play about betrayal (Ambassadors 071-836 1171)
- Arcadia: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 8800)
- Dead Funny: Terry Johnson's brilliant, elegantly acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987)
- An Inspector Calls: multi-award-winning National Theatre production of J.B. Priestley's psychological thriller, directed by Stephen Daldry (Aldwych 071-836 6404)

THE PROMS
Mark Wigglesworth conducts the National Orchestra of Wales in tonight's Mahler and Shostakovich programme at the Royal Albert Hall, with baritone soloist Thomas Allen. Alexander Lazarev conducts the BBCSO tomorrow in symphonies by Sibelius and Shostakovich, with John Lill soloist in Britten's Piano Concerto. Claudio Abbado conducts the Berlin Philharmonic on Thurs and Fri, followed on Sat and Sun by the Cleveland Orchestra under Christoph von Dohnanyi, who includes Birtwistle's Earth Dances in his first programme and Mahler's First Symphony in the second. Glyndebourne Festival Opera makes its second appearance at this summer's Proms next Mon with a semi-staged performance of its new production of Don Giovanni, conducted by Ivor Bolton (071-589 8212)

OPERA
Queen Elizabeth Hall Opera Factory tonight presents the first of six performances of Nigel Osborne's opera about Sarajevo, staged by David Freeman and conducted by Nicholas Kok (071-928 8800)
Barbican Travelling Opera presents its lively English-language productions of La traviata and Die Zauberflöte, daily from Fri to next Mon (071-638 8891)

■ OSLO

Konserthus Thurs, Fri: Pinchas Steinberg conducts Oslo Philharmonic Orchestra and Chorus in Beethoven's First Piano Concerto (Simone Pedroni) and Holst's The Planets. The next two weeks of concerts are conducted by Paavo Berglund. Mariss Jansons conducts the orchestra's 75th anniversary concerts on Sep 22 and 23, devoted to Schoenberg's Gurrelieder (tel 8103 3133 fax 2283 0793)

■ PRAGUE

La Petite Bande gives a concert of music by Bach and Vivaldi tonight at the Church of Saints Simon and Jude, followed tomorrow by Musica Bohemica in works by Cecchini, Michna and Krcek. Talich Quartet plays string quartets by Mozart, Dvorak and Janacek on Thurs at the South Garden of Prague Castle. Libor Pesek conducts Prague Symphony Orchestra and Chorus in a concert at St Vitus Cathedral on Sat, marking the cathedral's 650th anniversary (02-2489 3111). Tickets and information for other events can be obtained at Bohemia Ticket International at Na Prikope 16 in the city centre (02-2421 5031) or from abroad at BTI, Salvatorska 6, 11000 Prague 1 (tel 02-2422 7832 fax 02-2481 0368)

■ STOCKHOLM

Drottningholm Youth and Folly, an early 19th century Singspiel by Edouard Du Puy, returns to the repertory tonight for seven performances. The festival ends on Sep 10 (08-660 8225)

■ WASHINGTON

- Miami City Ballet presents choreographies by Balanchine and Gamonet tonight and tomorrow at Wolf Trap. Country singers Willie Nelson and Waylon Jennings appear in concert on Thurs, followed by Manhattan Transfer and George Benson on Fri and country singer Wynonna Judd on Sun (703-255 1860)
- Night of the Iguana, Tennessee Williams' passionate drama set in a Mexican resort, runs till Sep 11 at Olney Theater (301-924 4485)
- Into the Woods, Stephen Sondheim's bewitching tale that includes many fairy tale heroes but doesn't have a fairy tale ending. Opens tomorrow at Signature Theater (703-820 9771)
- The main summer show at the Kennedy Center is Miss Saigon. Daily except Mon (202-467 4600)

ARTS GUIDE
Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Peg is no panacea for hyper-inflation

PERSONAL VIEW

There has been much discussion lately of how effective a pegged exchange rate can be in stabilising the value of a currency (Financial Times, Economic Viewpoint: "No going back to Bretton Woods", July 28).

Pegged rates can help with stabilisation and have been central components of anti-inflation strategies in many instances, but they cannot do it alone; the right supporting conditions are also necessary.

Such conditions cannot be assumed automatically to accompany the adoption of a fixed-rate regime. This is why the record of such regimes, such as the many stabilisation plans in Latin America and elsewhere, in the 1980s and 1990s includes failures as well as successes.

At the same time, successful stabilisation has been achieved without pegging the exchange rate. It is important to review the lessons from such diverse experiences, several of which are discussed in the May 1994 edition of the IMF's World Economic Outlook.

Strict financial discipline is critical for successful stabilisation, with or without a pegged exchange rate. Large fiscal and quasi-fiscal deficits are a fundamental driving force behind the excessive monetary expansion that sustains high inflation. In high-inflation countries, attempts to stabilise prices without attacking the fiscal deficits have, at best, only temporarily succeeded.

To be sure, pegging the exchange rate can encourage financial discipline, but this effect should not be exaggerated.

The costs of failure under a pegged regime are high. Fiscally unsound programmes that have relied on a fixed exchange rate – and, in many instances, on incomes policies as well – have achieved only a temporary reduction in inflation. When such programmes eventually fail, inflation comes back with a vengeance.

During the second half of the 1980s, for example, Argentina and Brazil went through a succession of failed exchange-rate-based programmes, with inflation reaching a higher plateau after each failure. Failed programmes, whether exchange-rate-based or not, erode the credibility of future stabilisation efforts, increase the public debt, may have a high cost in terms of international reserve losses, and increase the difficulty of eventually attaining stabilisation.

Using the exchange rate as the nominal anchor has been most successful against hyper-inflation – when rigidities in domestic prices and wages and backward-looking indexation usually disappear. Most prices are quoted in foreign currency. Hence, fixing the exchange rate can immediately stabilise prices in domestic currency. This explains why in most successful stabilisations inflation has come down virtually overnight.

An important problem, however, is fixing the exchange rate at the right level, a particularly difficult task in economies in transition or others with widespread price distortions. If the rate is fixed at too high a level, competitiveness in foreign trade may be sacrificed and, with it, confidence in the currency. If the rate is too low, far from reining in inflation it may give it an additional boost.

An important problem, however, is fixing the exchange rate at the right level

Pegged exchange rates have also been successful in stabilising economies with a history of high, but relatively stable, inflation. However, in these cases widespread indexation in goods and financial markets imparts a high degree of inertia to inflation.

Fixing either the level or the rate of change of the exchange rate does not usually have an immediate effect on inflation, thus leading to real appreciation and often unsustainable trade deficits. Therefore, incomes policies have sometimes been used to break the wage-price spiral, as in the successful Mexican and Israeli plans, and in Argentina structural reforms such as the elimination of indexation were used.

Currency stabilisation may occur even without a sizeable cushion of reserves or abundant official foreign financing. External financing may be important as a signal of international support, not least in helping to make stabilisation packages politically feasible.

In some cases, a sizeable reserve cushion has also been useful in reinforcing the credibility of the peg. However, experience shows, most recently in Argentina, that large amounts of official foreign financing are not strictly essential to support an exchange rate peg when the domestic financial situation is brought under control. Also, countries such as Bolivia and Peru floated their currencies and were able to maintain currency stability without major official external financing. The potential for private capital inflows may in any case overshadow the need for official financing.

What the past teaches us is that an exchange rate anchor is considerably less than a panacea for stabilisation, though the IMF has appropriately supported its use as part of a credible policy package in, for example, the former Czechoslovakia, Estonia and Poland.

But if the other conditions for currency stabilisation, especially fiscal consolidation, are not met, an exchange rate anchor will fail, and may make the outcome worse than if it had never been introduced.

Its main use is in enhancing the credibility of an otherwise viable policy package, especially in hyper-inflationary conditions, though even with such a package it may be useful, but not necessary.

For this reason, the IMF takes a pragmatic view of pegged exchange rates, considering their use as but one possible tool in recommending an appropriate policy package to help members reduce inflation and restore the value of, and confidence in, their currencies.

Shailendra J. Anjaria

The author is the director of external relations, International Monetary Fund

Alison Smith on an attempt in the UK financial services industry to meet customer needs

How to make the most of life

The warning on the life insurance policy was written, with suitable severity, in block capitals. Key words were underlined. The gist was simple: if you do not like our terms for surrendering policies early, too bad.

That was 60 years ago. Mr John Hylands, head of marketing at Standard Life (not the company cited above), says: "Then people who left early had 'broken their contract', and received what the life company out of the kindness of its heart decided to shell out.

"No one today would take that line, it's not viable any more." Instead, companies try harder to find ways of keeping their customers.

The change of attitude is one example of a trend by life companies towards creating financial services products that better suit the customer.

"We have moved away from the paternalism of the old days, when a chief actuary would come up with a policy which he thought would be good for people, and then the sales force went out and sold it," one chief executive comments. "Now we try to respond to what the customer wants."

Designing products that suit people appears so obvious a marketing strategy that its relative novelty seems surprising. Executives say one reason why it has taken so long to come about is the complexity of many financial products, which makes them difficult to devise and often confusing for the customers.

But now change is being forced on the industry. Consumers are becoming more sophisticated – and increasingly wary of an industry with a reputation for hard selling policies which may be inappropriate for customers.

Demand for life insurance products where the customer pays regular premiums – currently the biggest part of the market – is falling. Income from such policies fell from £2.04bn in 1991 to £1.75bn last year. In 1991, some 5.77m regular premium policies were taken out; by 1993 that had fallen to 4.46m.

At the same time, new standards are being set by the industry's regulators. From next January, the Personal Investment Authority, which protects the private investor, will insist life companies give customers more information about the costs of selling a life policy and the commission paid to advisers.

Life companies are responding to these regulatory and demand pressures in two ways. First, they are making their products more flexible. Sun Alliance, the large life insurer, earlier this year launched a life policy under which the cover provided can be varied. For instance, a customer could make provision for a bigger payout while he has dependent children and then reduce the cover when they have grown up. Premiums vary accordingly – or could be varied anyway, according to the customers' financial circumstances over time.

Second, as part of the move towards greater flexibility and transparency, life companies are starting to split – or "unbundle" – the two parts of a life policy: the "protection" part which pays out on death or serious injury; and the investment part which pays out a lump sum when the policy expires.

Earlier this year, for example, Prudential Corporation, the UK's largest life insurer, launched two policies: Prudence Family Cover and the Prudence Savings Account – which split the insurance and savings elements respectively of a conventional product. Under the scheme, the proportion of "protection" to "savings" can be decided by the customer

Several other companies plan to launch similarly flexible products in the autumn and beyond. "There is a whole trend towards more flexible and complex products," says Mr Philip Scott, Norwich Union life and pensions general manager.

The trend towards greater product flexibility and unbundling have been welcomed by the Consumers' Association. Ms Jean Eaglesham, the association's financial specialist, says for "too long life companies have been able to get away with selling packaged products" when a more flexible approach may have benefited customers.

But the trend offers the life companies an important advantage as well: a means of combating increasing competition from other forms of long-term savings. By offering customised policies, life companies should be able to compete more effectively with, for instance, unit trusts or deposit accounts.

In an uncertain economic climate, in which customers are reluctant to make long-term commitments because of fears of job or wage cuts, such flexibility is in increasing demand. This has been shown by the fact that in recent years the number of regular premium policies sold has fallen while sales of single-premium polices have risen.

Greater flexibility in payments should mean fewer customers giving up policies early

Another advantage for the life companies is that greater flexibility in premium payments should mean fewer customers giving up their policies early. This has been a particular problem for the past couple of years: on one industry expert's estimate, 23 per cent of life policies are surrendered at the end of the first year.

A lapsed policy not only means a lost income stream for the company, it may also mean an upset customer who will not buy the company's products again. Moreover, the high lapse rate draws attention to the relatively low surrender value of many life policies, attracting further damaging publicity. Life companies were forced on to the defensive in June by a report from the Office of Fair Trading showing that some savings plans offered very poor surrender values.

While economic circumstances and the problems of the life industry mean companies have little option but to move quickly towards offering greater flexibility, there are drawbacks.

The main problem for the companies is likely to be lower margins. As consumers become aware of the policy charges, competition will intensify, even if the volume of business expands. "Industry margins will be under terrific pressure over the next few years," says Mr Stephen Maran, chief executive of Lloyds Abbey Life, the life insurance company.

Unbundling products holds specific dangers. As the split between protection and investment becomes more common, protection-only policies could be treated like motor insurance, with quotes available by the telephone. By putting greater emphasis on price, this would add to the pressure on margins.

At the same time, the investment plans would have to compete more directly with other forms of savings – for instance Personal Equity Plans – offered by other financial institutions such as banks and building societies.

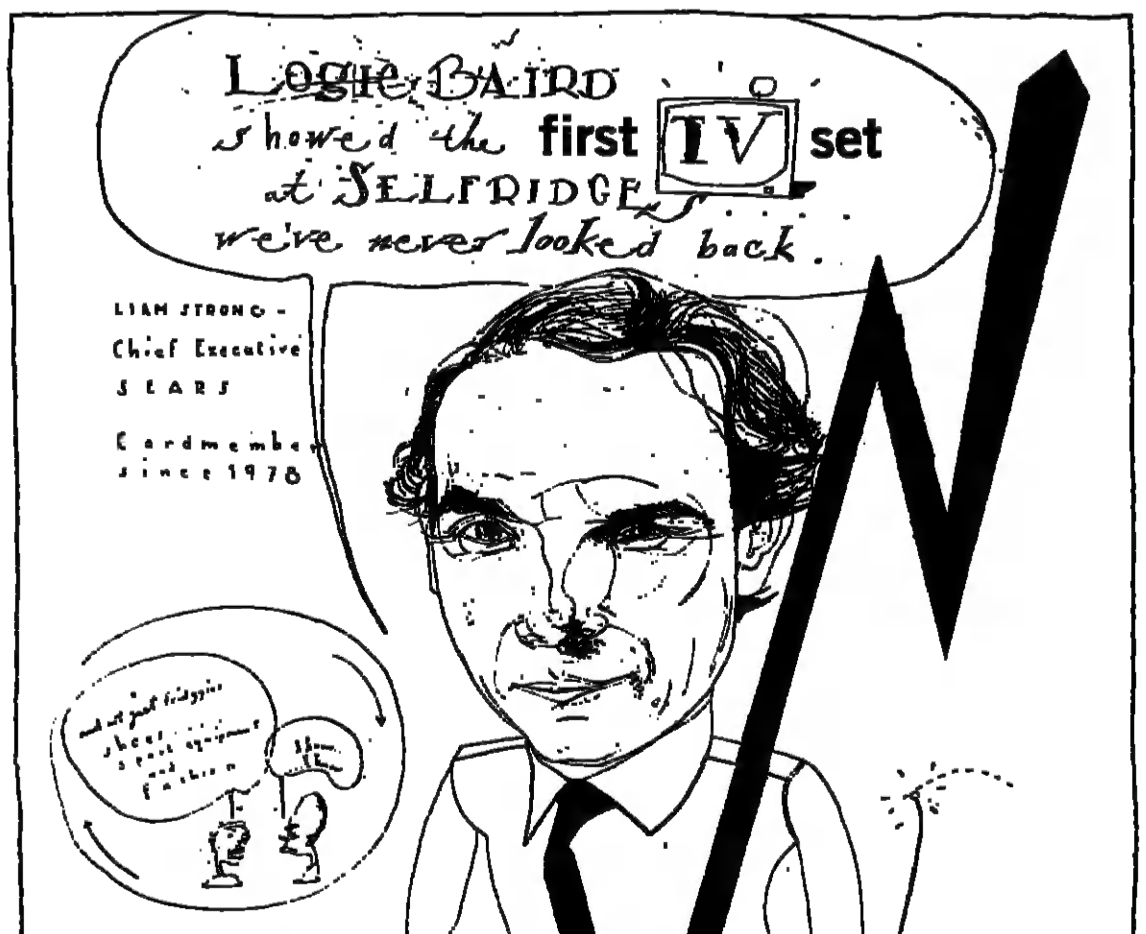
Some life companies also warn that a general move towards unbundling may not necessarily benefit the consumer. They argue that buying protection separately over the telephone would mark a departure from the approach to selling financial services urged by the Personal Investment Authority, and its parent regulator the Securities and Investments Board. The two regulators say that sales representatives should take account of a customer's overall financial needs if they are to offer sensible financial planning advice.

Though Ms Eaglesham of the Consumers' Association thinks the life companies are protesting too much, she agrees there is a risk to consumers in separating the components of life policies. The answer, she says, is to bring protection-only policies within the remit of the Personal Investment Authority.

The industry would argue against such an extension of regulatory controls – particularly given that the trend towards greater flexibility has only just begun to gather pace. It will not be clear until figures are released next year whether the life industry is selling more policies as a result of the shift. But one point is already clear: making life simpler for the customer does not make life easier for insurers.

Life insurance	YEARLY PREMIUM PRICES: Number of new policies (000s)	New premiums (£m)	SINGLE PREMIUM PRICES: Number of new policies (000s)	New premiums (£m)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990	6,655	1,924	[illegible]	4,829
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1992	5,265	1,889	960	7,970
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: [illegible]



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Tax on paper gains would be self-defeating

From C E Chamberlain.

Sir, As a specialist adviser on executive share options, including a number of water and regional electricity companies, I was interested to read Mr Gordon Brown's comments that "options were costing the taxpayer £200m per year in lost tax revenue" ("Labour names share option 'millionaires'", August 19). I wonder if this is all it seems.

Most taxpayers expect to pay tax when they receive cash. However, under Mr Brown's proposals, executives will pay tax when they simply convert their options into shares, ie swap one piece of paper into another without any cash being received.

As it happens, most executives do sell most of their new holding of shares almost immediately. As a result, they pay much the same amount of tax as if they had paid tax on the paper gains rather than their cash gains.

The only difference is the relatively small annual capital gains tax exemption, which they can employ to reduce their gains.

Possibly, some of Mr Brown's lost taxes can be recovered by withdrawing the annual capital gains tax exemption on option gains by treating them as income. If so, then the burden will fall disproportionately on the lower reaches of employees rather than Mr Brown's "millionaire option-holders". The loss of a £5,800 exemption to an ordinary employee means a great deal more than to a millionaire option-holder.

The only way Mr Brown could raise a significant proportion of the alleged £200m lost tax he has identified is to tax the paper gains at sharply higher rates than the present 40 per cent.

Curiously, even this may be counter-productive. If employees are taxed on their paper gains rather than cash gains, then the options may appear less of an incentive and companies would presumably offer the benefit of share options less regularly or, more likely, only to a restricted circle of senior executives who are better placed to cope with the more complicated tax liabilities.

In any event, the end result would probably be that the total amount of tax revenues raised on share options would probably dwindle, not increase.

C E Chamberlain,
Herbert Smith,
Exchange House,
London EC2A 2HS

Irish reunification costly

From Mr Paul Barry.

Sir, Ian Davidson, in his article "Ballot box blarney" (August 17), makes, what is to me, one of the classic errors in summarising the current situation regarding Northern Ireland and its constitutional position within the UK.

Your writer refers to recent statements by Mr Gerry Adams, president of Sinn Féin; he outlines difficulties for the terrorists on both sides; he restates comments made by the British government; he reflects on the demographic changes taking place between the Catholics and the Protestants in the province; he refers to the Spanish and French governments by way of a comparison to illustrate his opinion of the present position. Not once does he consider the views of the people of Eire.

I have family and friends south of the border, and in a very unsophisticated survey I found that the majority of my contacts would prefer there to be no reunification with Ulster.

This is not out of any lack of nationalistic pride, but from the practical belief that Eire cannot afford to take on the cost of integrating the North. The feeling is that Eire is not a West Germany or even a South Korea. Their hearts may be for it, but it is an open question as to whether their wallets and purses are as enthusiastic.

Paul Barry,
Kingston-upon-Thames,
Surrey KT2 5HH

How to steer round both road tolls and evaders

From J M Reynolds.

Sir, How lucky Mr Harley is to live in such a generous country as Switzerland (Letters, August 17).

I do not believe that the majority of sensibly minded motorway users in the UK would "rebel" over paying £15 a year, or defect to the side roads. But when figures of 1.5p per motorway mile are bandied around, that could make things different.

In my own case, £15 would give me about 11 days' motorway use at 1.5 pence per mile. At a rough calculation, my annual motorway bill would be about £250 at the above rate.

With regard to any additional revenue required being added to the fuel cost then being lost in the "Treasury maw", what is to stop them "losing" the motorway tolls?

A fairer system would be to abolish completely the Road Fund Licence, and put everything on to fuel. This would achieve the dual aim of making the user pay for road use, whether it is a motorway or otherwise, and making the tax evader a person of the past. But that is a whole different can of worms.

J M Reynolds,
Kiln Drive,
Evercreech,
Somerset BA4 6DT

Better return for taxpayers from in-house consultants

From Mr Barry A Reamsbottom.

Sir, Sir Peter Levene fears I misunderstand both the Efficiency Unit scrutiny report on external consultants and the recent white paper on the civil service (Letters, August 13). His fear is unfounded: I understand them only too well.

I am disturbed that Sir Peter, the prime minister's adviser on efficiency, does not recommend that, rather than spend £508m on external consultants, the government might get a better return for taxpayers' money by developing and supporting an in-house civil service expertise. And I am fairly certain the bill for that would come in at far less than £508m.

Sir Peter seems also to have developed an aversion to the term "market testing", preferring "competing for quality", a process that he claims 20 per cent-plus savings for.

The government has yet to establish how quality is to be maintained once work goes outside the civil service to a private contractor, but it has yet to take up my union's challenge to substantiate these claimed savings.

The simple fact of the matter is that in the past two years "market testing" has run up consultancy costs alone of £39m, never mind the costs of setting up MT units in each department and agency and the cost of failed or abandoned market tests.

And John Major, his efficiency adviser, Sir Peter Levene, William Waldegrave, until the reshuffle the minister for market testing, *et al* have yet to produce detailed evidence to back up their claim of £135m saved by market testing.

They avoid being pinned down by pleading either "commercial in confidence" or that the work in detailing the savings figures would be disproportionate. Sir Peter also omits to mention that his competing for quality programme is rather selective.

After lots of pressure from the private sector, which keeps bleating about a non-level playing field, Sir Peter's Efficiency Unit has prevented the in-house civil service teams from playing at all – almost £770m worth of central government work has been market tested without civil servants being allowed to compete for the contracts!

Joy for the private sector but certainly not value for money for the taxpayer.

Barry A Reamsbottom,
general secretary,
The Civil and Public Services Association,
London SW11 2LN

هكذا من الأصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday August 23 1994

Unfinished revolution

Few men, if any, have transformed their country upon attaining supreme power at the age of 73. When the country that has been transformed is home to more than a fifth of the world's people, the achievement is of far more than local significance. Arguably, Deng Xiaoping's role in liberalising the Chinese economy makes him the world's most significant political leader of the second half of the 20th century. But his failure is on almost as grand a scale as his successes. A yawning gulf has opened up between what, as a Marxist, he would describe as the economic base and the political superstructure. China's future, perhaps even the world's, depends on whether, and how, that gulf is closed.

Mao Zedong would be at the head of any list of history's ideological fanatics. Deng, with his insistence on the need to seek truth from facts, is the supreme pragmatist. His invention of "socialism with Chinese characteristics" was a stroke of genius. He knew that the capitalist rose could smell as sweet under a socialist label. What mattered to him was not ideological consistency, but unleashing the talent and drive of the Chinese people.

Under Deng, the market has been brought into China, while China has erupted on to the global economy. Between 1977 and 1993, China's measured gross domestic product rose more than fourfold; the dollar value of its exports increased tenfold; and the annual inflow of direct investment rose from virtually nothing to $26bn. Above all, hundreds of millions have experienced a transformation in how they live now, and how they hope to live tomorrow.

China's economic success has also transformed what the economic development of east Asia, hitherto confined to relatively small countries, signifies for the world as whole. This is no longer just another change in the distribution of global economic activity. It heralds the end of roughly half a millennium of European dominance. The 21st century will, it is said, be the Pacific century. More probably, it will be China's century.

The question is what sort of China this will be. A price has had to be paid for Deng's pragmatism, just as a far greater one had to be paid for Mao's fanaticism. He has let sleeping political dogs lie. But whenever they wake, they bite. The price includes a party without its ideological *raison d'être*, a society without the rule of law, and a political system without checks and balances. The massacre in Tiananmen Square is a black mark against Deng's name. It was a sign of panic. But it was a sign, too, of his failure to adapt the political system to the changes brought about by China's economic success.

It may be that Deng had, in truth, no realistic choice. He is, to his credit, no arbitrary despot prepared, like a Mao or a Stalin, to butcher his opponents in millions. He wooed the Communist party, which they cowed. But this failure to secure political reform, or even a credible successor, leaves his legacy vulnerable to chaos, or reversal.

The probability, in fact, is that those policies will not be reversed. To do so would require determination and bloodshed on a horrifying scale. Chaos is understandably feared by the Chinese. But the problem is as likely to be a different one: the arrival on the world stage of a giant economic power that is also an arbitrary, often a xenophobic, despotism. Grim for the Chinese, this would be fearful for everyone else. Deng, 90 yesterday, has clearly failed to rise to the challenge of political reform. For China's sake, as well as that of the rest of the world, his successors must not fail too.

Bank raids

The British may fall short of the Americans in the degree of hostility they show towards the banks, but the politics of knocking the UK financial community is no less crude for that.

In the case of the Tories, the deed is usually done in the name of fiscal expediency. The arbitrary levy on non-interest bearing bank deposits in 1982 was an opportunistic response to the coincidence of distressed public finances and high banking profits. The more recent adverse change in the tax treatment of pension fund dividend receipts came at a time of high dividend payouts and an unprecedentedly high public sector borrowing requirement.

With Labour, populism tends to be the beginning and end of it: and it is hard to see any broader rationale in the interest shown by the Labour shadow chancellor, Mr Gordon Brown, in attacking bank charges. True, fee income has gone up as the banks have sought to compensate for the decline in profitability of their core lending business. Yet most personal customers – and that is where the political sensitivity lies – are enjoying an astonishingly good deal from the banks.

For the 80 per cent who do not run an overdraft, current account services, including the hugely expensive payments system, come largely free. Not that the banks are happy with that. Such is the competition in this area that whenever one of the clearers tries to eliminate the cross-subsidy to customers in credit, another can be relied on to give free-if-in-credit banking a new lease of life. That has now extended to offering interest on current account balances.

A more interesting question arises in the case of the minority who borrow. Many face overdraft rates of more than 19 per cent, while the rates on small personal loans and credit cards are well over 20 per cent. With the headline rate of inflation down to 2.3 per cent this is a swingeing levy in real terms. Yet attempts at price cutting by individual banks have had little impact.

This raises interesting questions about the nature of banking competition. Interesting, but not crude enough for the political mill. The banks behaved insensitively in the recession; they now have a short-term bonanza; ergo, they must be bashed. So there.

Phone rules

Telecommunications used to be regarded as a natural monopoly. A decade after the break-up of AT&T in the US and the privatisation of BT in the UK, competition in long-distance and international telecoms is now a way of life across much of the developed world – although not, alas, on most of continental Europe.

Within more dynamic markets – notably the US and the UK – the debate now focuses on the extension of competition to local telecoms. The US Congress is grappling with legislation to abolish the local monopolies of the seven regional Bell operators. In the UK, cable companies – mostly US-owned – are attracting 40,000 phone subscribers a month, but the rules for future competition with BT remain unclear.

Two questions dominate the regulatory debate on both sides of the Atlantic, albeit in different forms. Should regulation be skewed in favour of new entrants? And as telecoms networks are upgraded into "superhighways" carrying inter-active entertainment and information services, what steps should be taken to ensure nationwide provision?

The telecommunications bill currently before the Senate would, in effect, allow US cable operators to provide telephone services across their networks within a year. The Baby Bells, by contrast, stand to face a lengthy regulatory battle, in the name of universal service, before they are allowed to compete with the cable operators. In the UK, BT is prevented by an outright ban from competing with cable operators in domestic broadcast entertainment services.

Both sets of restrictions are likely to disadvantage consumers, contrary to their avowed purpose. In place of detailed universal service rules, the US would do well to impose a UK-style regime on Bell operators wishing to compete in cable services. In return for a franchise covering a designated area, they would be required to offer services across the area, within a set timescale – but would otherwise be largely free to compete. In the UK, the government should follow the recent advice of a House of Commons committee and announce a firm date for lifting the BT entertainment ban, so that one monopoly is not succeeded by another as optical-fibre local networks render existing copper wires obsolete.

Policymakers are understandably anxious that these "superhighways" do not become the preserve of a privileged few. Population-coverage targets and obligations to connect public sector institutions, such as schools, are desirable safeguards. There is also a case for uniform tariffs for basic services, although the definition of "basic" is problematic in the new inter-active age.

It is important, however, that regulation does not so hamper the operators that they delay in building the networks at all. To seek to regulate in advance for every eventuality is a recipe for manifold regulators but precious few services.

Germany's nuclear fall-out

Quentin Peel examines the increasingly controversial debate on how best to dispose of the country's nuclear waste

Seventeen years ago, the little village of Gorleben was a forgotten backwater on the banks of the river Elbe, a stone's throw from East German no-man's land.

Today its name is synonymous with an impassioned debate over the future of Germany's nuclear power industry.

The fate of Gorleben could decide whether nuclear power has a future at all in Germany. It could also have a big influence on the attempts by other countries – such as the UK, Sweden, Switzerland and many others – to find an economic and publicly acceptable way of disposing of their nuclear waste, most probably underground.

In 1977, the village was a depopulated rural retreat in a blighted border area of West Germany, its main roads cut on three sides by the East German frontier. It was the ideal place to put something unpleasant – like a nuclear waste dump.

At the time, the government called it a "nuclear park", and planned to include a huge reprocessing plant, employing 5,000 people, as well as excavate a vast underground cavern in the nearby salt deposit, to dispose of highly radioactive waste. It would have been the German equivalent of Britain's Sellafield, or France's La Hague, with waste disposal thrown in.

Seventeen years and interminable planning inquiries later, not to mention changes of government both in Bonn and Hanover, capital of the local state of Lower Saxony, and innumerable protests, sit-ins and marches, the reprocessing plant has been abandoned, and the waste disposal plan is still the subject of furious resistance.

A huge interim waste disposal site has been developed behind three-metre-high security fences and a rampart of earth. But the biggest storage shed, for containers full of highly radioactive materials, is still standing empty after 11 years.

On the same site, an extraordinary "pilot conditioning plant" is being built, with massive reinforced concrete walls, 1.5 metres thick, where the waste has to be repackaged into containers capable of keeping it underground for its entire half-life – of 10,000 years or more. Objections to its construction from the state government and environmental groups have delayed completion by at least two years already.

Over the road, just 1km outside Gorleben village, two deep shafts have been sunk into the salt "dome", to carry out exhaustive tests on its quality and consistency to see if it can safely be used as a permanent deep storage site for the waste.

To complicate matters, since 1990 Gorleben has been at the heart of reunited Germany, instead of on a hostile frontier. The banks of the river Elbe have been designated as a nature conservation area, and the idea of putting nuclear waste down a salt mine on its doorstep seems incongruous in the extreme.

In recent weeks, hundreds of demonstrators have blockaded the entrance to the interim waste disposal site. They built a makeshift village, and tried to tunnel under the road, to block deliveries of the first cast-iron containers containing nuclear fuel elements to the temporary store.

They were forced to move, but an attempt by Mr Klaus Töpfer, the (Christian Democrat) federal environment minister, to negotiate an agreement on the deliveries last week with Mr Gerhard Schröder, the (Social Democrat) state premier in Lower Saxony, failed to break the latest deadlock.

Yet if agreement cannot be reached on the storage plans, it is not only Germany's powerful nuclear industry, with 20 atomic energy plants churning out electricity, which will be held to ransom. The irony is that the opponents of nuclear energy, including a clear majority of the opposition Social Democratic party (SPD) and the whole of the environmentalist Green party, also need to find a waste disposal site somewhere in Germany to bring the industry to a halt. If the power stations are to close, something must be done with their waste.

"With nuclear waste, to do nothing is worse than doing something, whichever side you are on," says Dr Rolf Meyer, spokesman for DBE, the state-owned company responsible for excavating and evaluating the Gorleben salt mine. So both sides know that, really, they have to reach some compromise.

For a long time, the anti-nuclear lobby has identified the disposal of nuclear waste as the weak link in the German nuclear chain, and therefore the best target to attack in trying to force the country to abandon nuclear power altogether.

Hitherto, reprocessing of spent nuclear fuel has been the preferred German approach, on the grounds that it would maximise re-use of the original raw material, and minimise the eventual waste for disposal. Big reprocessing contracts have been signed with France's Cogema and Britain's BNFL lasting into the next century.

The problem is that reprocessing is very expensive; it produces plutonium, which is dangerous because it can be used for weapons manufacture, and which requires in turn being transformed into mixed oxide (MOX) fuel elements to be reused in nuclear power stations; and it means that Germany remains committed to nuclear power generation for the foreseeable future. On top of that, it still produces a small amount of highly radioactive nuclear waste which has to be got rid of somehow.

The alternative – direct disposal of spent fuel elements – is seen as much cheaper, and it does give Germany the option eventually of closing down its nuclear power stations, and switching back to conventional forms of power generation.

The Greens and the rest of the anti-nuclear lobby have targeted the weak links in the nuclear chain in two ways: they have sought to block approval of Gorleben as a waste disposal site at every stage of the process; and they have so far successfully blocked a series of building and planning licences for Siemens's MOX fuel element plant at Hanau, near Frankfurt, which is standing 95 per cent complete, at a cost to date of DM1.1bn (£461m).

The environmental blockade against both plans has proved remarkably successful so far, and has cause great frustration in the nuclear power industry. Both the big northern electricity utilities – RWE in Essen, and Veba's PreussenElektra in Hanover – have shown serious signs of being tempted to pull out of nuclear power generation altogether, although they deny it officially. They are observing a *de facto* moratorium on plans for any new nuclear power stations. What they want above all else is some sense of certainty about the future of their industry – and about what they are going to do with their toxic waste.

'If a sparrow dies here on the mine, the newspaper will try to find out why. Every detail of our job is in the public eye'

This month, Siemens won an important legal battle in the supreme administrative court in Berlin, which rejected challenges to three building licences for the Hanau plant. But complaints are still outstanding against two further building licences, and four licences for the actual process of uranium and plutonium processing.

As for Gorleben, even delivery of waste for interim storage still appears to be blocked, most recently thanks to fears about the safety of the Castor cast-iron containers being sent across country from the Philippsburg power station in Baden-Württemberg. In the middle of a general election campaign, no one can afford to seem complacent.

The vast echoing hall built for the high-level waste stands empty. It has the capacity to take 420 of the Castor containers, each one separately wired up to monitors, which check that the pressure between their double lids remains constant, in case of a leak. Highly radioactive waste will also be delivered from La Hague and Sellafield in vitrified glass containers, the first due from France before the end of the year.

The containers are supposed to stay there for six years at least, while they cool down from their initial 200°C. After that, they are supposed to go to the "conditioning" plant to prepare for permanent disposal in the salt mine.

"The building is simply for protection from the weather," says Mr Jürgen Auer of Brennelementlager Gorleben (BLG), which runs the site. "The containers are what are supposed to be secure."

The pilot conditioning plant has been built, as Germany's safety laws require, strong enough to withstand an earthquake, or the impact of a jet aircraft flown into it at full speed. At its heart is a T-shaped core which will be totally sealed from human entrance, or the escape of radiation inside it.

Inside the cell, which has stainless steel plates bolted to its walls to be washed down for radiation, the Castor containers are to be opened, and the fuel elements compressed by remote control, before being repacked in 65-tonne Pollux containers for permanent disposal. Humans will supervise, watching through massive lead-glass panes.

The final stage in the process, if it ever comes to pass, will be the disposal of the radioactive material underground in the salt mine.

The huge deposit goes down to at least 4,000 metres, and the plan is to excavate a complex of tunnels some 14km long, 4km wide, and up to 3.3km deep.

One of the great advantages of salt is that it "creeps": after being hollowed out, it will gradually close in again on whatever has been stored. It also conducts heat, allowing the very hot waste to cool, and it does not conduct water. However, it is not pure, and some forms of salt contain water in crystalline form: if it gets warm, it could dissolve and flow towards the source of the heat.

Hence the need for exhaustive checks on the precise "geo-mechanical" properties of the Gorleben salt deposit, conducted with legendary German efficiency: so far, 120km of borings have been carried out and tested over the past 14 years.

Dr Meyer, spokesman for the DBE, is philosophical about the whole exercise. "I sometimes wonder how they would ever have built the Pyramids, or the Great Wall of China, if they hadn't had slaves," he says. He expects a final decision on whether the project will go ahead or not after the turn of the century. Then it will take another six years to prepare – providing storage space for another 70 years.

The mining project is being pursued with fanatical attention from the local media. "If a sparrow dies here on the mine, the local newspaper will call up to find out why," Dr Meyer says. "Every single detail of our job is in the public eye."

But the most challenging task of all, he believes, has nothing directly to do with the mining. "How do you identify a nuclear waste disposal site for 500 years," he asks, "let alone for 10,000?"

The use of Gorleben as Germany's main site for nuclear waste disposal has been a burning political issue in local politics, ever since it was first mooted by the Christian Democrat government in Lower Saxony in 1977. Traditionally, the federal government in Bonn, whether SPD or CDU, has tried to push the plan along, and the state government in Hanover has resisted – regardless of political party.

Today Mr Gerhard Schröder, the SPD premier in Hanover, insists that other sites must be investigated – preferably in granite deposits in southern Bavaria, the state most committed to nuclear power.

At the end of the day, the issue does not simply divide the country between left and right, between environmentalists and the pro-industry lobby. It also divides the country between north and south.

The northerners, including their electricity utilities, RWE and PreussenElektra, would not mind giving up nuclear power altogether. They could provide alternative energy from coastal power stations fired by gas or cheap imported coal. RWE has enormous reserves of relatively cheap brown coal.

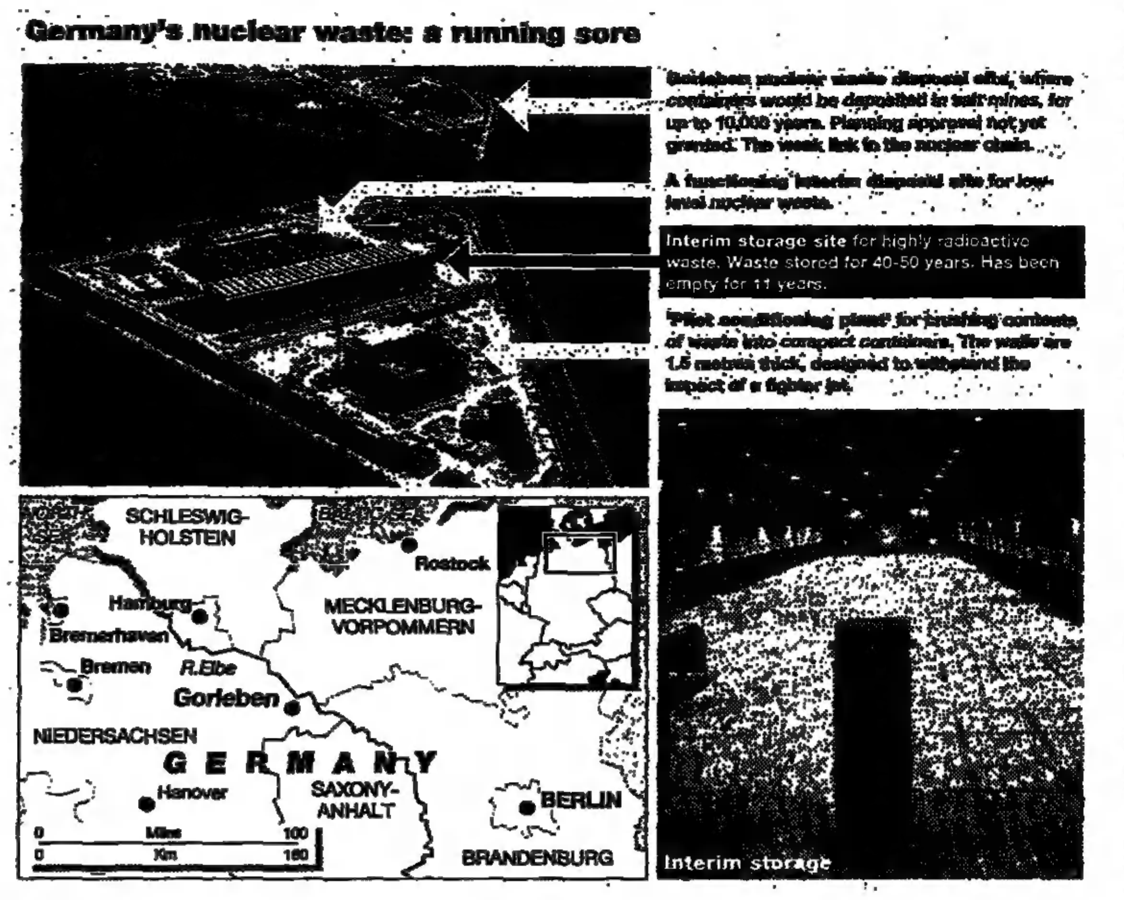
The southerners, including the third main generator, Viag's Bayernwerk, are far more dependent on nuclear power. They have no coastline and no cheap imported alternatives. So they remain firmly committed to the nuclear route.

No wonder few expect an early resolution of the conflict.

The outside chance of a coalition of left-wing and environmental parties winning the October national election would certainly mean a firm decision to abandon nuclear energy. Ironically, because of the need to find some way of disposing of the waste, it would probably mean a relatively swift decision to go ahead with Gorleben, at least for interim storage.

The more likely outcome, either of a continuation of the present conservative-liberal alliance under Chancellor Helmut Kohl, or a grand coalition of CDU and SPD, could leave a continuing stalemate. Then both sides will be forced to try to negotiate an energy consensus, and reconcile their differences. What the industry fears is that any such compromise will simply leave it in continuing uncertainty.

Germany's nuclear waste: a running sore



OBSERVER

Jubilado luminoso

■ What is it about being president of Peru that attracts the most unusual candidates? Last time round, in 1990, there was the spectacle of an agricultural college professor – Alberto Fujimori – slugging it out against a novelist – Mario Vargas Llosa.

Now Javier Pérez de Cuéllar, former secretary-general of the United Nations, has tossed his bonnet in the ring for the 1995 rematch, when El Chinito – as Fujimori is affectionately if inaccurately known – is likely to stand again. His wife, Susana Higuchi, also wants to run. First she has to overrule a recently passed law preventing presidential spouses from competing.

At 74, you might think de Cuéllar would prefer his retirement in Paris, where he can enjoy his favourite Schubert piano sonatas in tranquillity. But no: "Peru is lost if nothing is done. I believe I have a duty," said de Cuellar recently.

What can he mean? Fujimori has presided over a magical economic turnround; 11.8 per cent growth so far this year, making Peru Latin America's most dynamic economy. Inflation has collapsed from 1990's peak of 7,500 per cent to a probable 20 per cent this year.

Perhaps he's thinking of Fujimori's less sparkling record when it comes to keeping military hard men in their place. De Cuéllar knows all about that from his success first in keeping the Argentine junta out of the Falklands in 1982, and then in persuading Saddam Hussein to pack up and walk out of Kuwait in 1991.

Still, de Cuéllar, who counts among his many honours a 1987 honorary D.Ll from the Mongolian state university, can be forgiven for sounding out of touch; he's spent most of the past five decades anywhere but Peru.

Shrink-wrapped

■ Most city folk have heard of Paul Manduca who has powered through the money management business to become boss of the £30bn Threadneedle Asset Management group at the age of 42. And some might even have heard of his younger brother, Francis, 30, a fund manager at Gartmore.

But another Manduca has popped up in the money management game, and, unlike the other two, he is not a hired hand. Philip, the second youngest brother, has set up his own hedge fund. Fresh from three years managing family money in Palm Beach, he's started Sant Cassia Investment Management which takes its name from his Maltese father and hopes to make its clients rich by dabbling in exchange-traded futures and options and other exotica.

He has set up shop in Chelsea Harbour and equipped himself with a PhD in "neural networks", a sexy computer model which apparently "learns from its mistakes", and a resident psychologist who analyses what "frightens" markets.

So what does brother Paul think of his new competitor? "He said he hoped I did well," says Philip cheerfully, "because I was using the family name and crest". At least he didn't call it Manduca & Co.

'Shut up while I caution you'

Designer water

■ First the long march; then the cultural revolution; now the superloo upheaval. China intends constructing 1,000 public conveniences at its most famous tourist spots by 1996, in order to staunch the flow of complaints about its equally infamous public toilets.

The State Tourism Administration and the Ministry of Construction are jointly spending 30,000 yuan – about $3,487 – on each new loo. In Beijing, officials have launched a city-wide Contest of Best Lavatory Design.

Apart from good lighting and ventilation, each will also have a supervisor to maintain cleanliness; the most diligent will stand the chance of winning an annual reward.

"No smells of any kind will be tolerated," says a Chinese official. That's a relief.

Hello, Dolly

■ And now, Observer proudly brings you the sentimental quango. No, not a soft-centred version of the tango, but the Highways Agency, set up earlier this year to take over direct responsibility for the UK government's road building programme.

When established, the quango promised "the best possible service to those affected by roads". Presumably its latest press release – four pages on the case of Dolly Watson, 93 – is all part of that service.

Watson lives in the path of the extension to the M11 motorway, now under construction in east London and the subject of fierce protests from opponents – including Dolly, as the press release likes to call her.

She collapsed five days ago with a suspected mild stroke and is still in hospital. But the agency rebuts claims that Watson has been badly treated.

It says it's appointed an officer to maintain personal contact with her; has offered to provide a car so she can visit her replacement home; and will not evict her while she is making visits to alternative accommodation.

If only the protesters had not prevented them, agency staff would have explained all this personally to Dolly, says the release.

Sounds a bit like Highway Fobbery.

Beering up

■ According to PUSH, once known simply as the Polytechnics and Universities Students Handbook, average UK student indebtedness stands at £916 per year, up from £614 last year.

Student debt was predictably high in London, with an average level of £1,077. But the highest level of indebtedness was in Leeds, at £1,800 per year.

In a completely unrelated finding, PUSH says the institution with the cheapest student bar was the University of Leeds – which also happens to have the biggest retail beer outlet in the country.

FINANCIAL TIMES
Tuesday August 23 1994

VW aims to double Polo sales with launch of redesigned range

By Kevin Done, Motor Industry Correspondent, in Paris

Volkswagen, the leading European carmaker, is aiming to almost double sales of its VW Polo small car in western Europe with the launch of a new range developed with an investment of DM1.8bn ($1.14bn). Mr Ferdinand Piëch, chairman of the VW management board, said the group was aiming to increase sales to 350,000 in 1995 from 189,000 last year.

The launch of the new generation Polo is a vital step for the VW group, which is seeking to recover from record losses suffered last year and to arrest the erosion of its market share in west Europe. Mr Piëch warned that the improvement in western European new car demand in the first six months had faltered in July, when VW new orders had fallen back to the same level as last year.

VW had a strong order book from the second quarter, which would cushion its production in the autumn, but he warned that its financial performance could be harmed if the renewed weakness in demand carried on through the second half of the year. Last week he forecast that the VW group would break even for the full year following a DM1.94bn net loss in 1993.

The new generation Polo, which was unveiled in Paris yesterday and which will go on sale in most west European countries in the late autumn, will be built at VW's plants at Pamplona in northern Spain and at its main plant at Wolfsburg in northern Germany.

VW has fallen far behind its main rivals in the west European small car market with its outdated current Polo, which was first launched in 1981, and is still dangerously dependent on its Golf/Vento small family car range.

The Polo languished in sixth place last year in the small car segment of the west European market with sales of only 189,000, behind the Ford Fiesta (444,000), the Renault Clio (425,000), the Fiat Uno (352,000), the Opel Corsa (346,000) and the Peugeot 106 (268,000).

The small car sector is gaining in importance and currently accounts for about 29 per cent of all new car sales in western Europe. VW urgently needs a competitive car in this market, where both General Motors of the US (Opel in continental Europe and Vauxhall in the UK) and Fiat of Italy have launched strong rivals in the shape of the Fiat Punto and the new generation Opel/Vauxhall Corsa.

Mr Piëch conceded that the group had waited too long to replace the current 13-year-old Polo and said that VW was aiming to cut its model life cycles to six years. VW intends to produce 350,000 new Polos next year with output of 1,040 a day at its Pamplona plant and 530 a day in Wolfsburg.

Production of the current Polo was suspended in Wolfsburg in July 1992 as sales fell, and output last year at the Pamplona plant fell to only 854 a day.

While the current Polo was only built in western Europe, Mr Piëch said that the new generation Polos could also be built overseas and might also be sold in the US.

Taiwan renews bid to stop vote fraud

Government raises reward for informants ahead of elections

By Laura Tyson in Taipei

Taiwan yesterday renewed its efforts to stamp out a multitude of ingenious vote-buying schemes ahead of important elections.

In a bid to keep pace with the spiralling costs of electioneering, the government raised its reward for information leading to vote fraud convictions to $385,000. Mr Ma Ying-jeou, justice minister, said officials would shortly begin monitoring candidates and gathering evidence.

Elections for governor of Taiwan province and for provincial assembly members will be held on December 3.

"We will have to come up with detailed plans because many candidates are starting early – extremely early – their preparations or other illegal methods," Mr Ma said. "The criminal methods used in elections change with each passing day, and candidates are continuously inventing new schemes."

One popular method of winning voters' affections is to throw lavish banquets at which each guest is given a present – perhaps a can of tea with T$3,000 –T$5,000 ($115-$190) in the bottom or an expensive watch.

At the grassroots level, aspirants to political office may give gifts such as stoves to each family in a district. In county elections last November, one candidate held a county-wide lottery which was actually a disguised vote-buying scheme.

While Mr Ma is considered above reproach, some viewed the ruling Kuomintang's offers of reward as a case of the fox guarding the henhouse. "Only the KMT can really buy votes," one observer said. "Not only does it have the money, but it has the party machine. It has the on-the-ground administration to get the names, addresses, telephone numbers and background of each family."

Mr Ma launched a high-profile anti-corruption campaign in 1993 and is credited with the arrest of 341 of 883 councillors elected early this year.

Buying votes is estimated to have a 30-40 per cent overall effectiveness rate. In cities, people are inclined to take the cash and vote as they please, but in the countryside seven or eight out of 10 people will vote for the candidate who bought their vote.

Observers doubt that vote fraud can be obliterated, in part because such activities are often legally ambiguous, and in part because giving *hungpao* – red envelopes, or gifts – is ingrained in Taiwanese culture.

Most people regard such practices not as corruption but as a gesture of respect by the candidate. After all, they argue, it is troublesome to go to the polls.

Scalfaro defends central bank against government attacks

By Andrew Hill in Milan

President Oscar Luigi Scalfaro of Italy yesterday defended the country's central bank against what he described as "forms of aggression" by members of the Italian government after it raised two key interest rates nearly two weeks ago.

Speaking at the forum for central European heads of government in Alpbach, Austria, Mr Scalfaro said "everyone, beginning with the people in government, must respect [the bank's] autonomy".

Tension between some members of the government and the Bank of Italy has increased in the last fortnight, since the bank decided to raise interest rates by half a point to defend the Italian currency against the effects of squabbling within the coalition. Instead of strengthening the lira, however, there was a further decline in its value against the D-Mark.

Members of the extreme right National Alliance, one of three main coalition partners, also attacked the central bank last week for allegedly interfering in the proposed merger between Banca Nazionale delle Communicazioni – controlled by the Italian state railways – and San Paolo di Torino, one of the country's biggest banks. Other National Alliance members have threatened Mr Antonio Fazio, the central bank governor, with court action, and accused the bank of misusing funds.

Mr Scalfaro did not name the Bank of Italy's critics yesterday, but he reminded them that the central bank's independence provided "security for everyone".

Mr Publio Fiori, the National Alliance transport minister, has accused the central bank, in its role as banking supervisor, of trying to push BNC into a merger with San Paolo, instead of considering solutions which would preserve BNC's special relationship with the state railways. The Bank of Italy has refused to comment on the BNC affair.

Yesterday, Mr Fiori met with Mr Lamberto Dini, the Treasury minister, to discuss a possible solution to the BNC affair ahead of a board meeting called for Saturday. According to a Treasury statement, solutions could include "varying the form of the deal". One criticism levelled at the San Paolo merger is that it would involve an exchange of shares, whereas a smaller bank, Cassa di Risparmio in Bologna, has made a cash offer.

Banking sources yesterday expressed bemusement at the way in which the deal between BNC and San Paolo has been blown up into an important affair of state.

US bank settles bias case

Continued from Page 1

Reno said. Both the Justice Department and federal bank regulators have stepped up efforts to enforce fair lending laws.

In one of the biggest cases, the Federal Reserve refused to allow Shawmut National to acquire another bank because of patterns of lending bias until Shawmut had overhauled its lending procedures and reached a settlement with the Justice Department.

Other big banking groups on the acquisition trail, alerted by the Shawmut case, have taken pre-emptive steps to expand their lending to minorities.

But yesterday's settlement is the first where the Justice Department pursued denial of service to an entire area. "You can't be refused service if there is no service being offered," said Mr Deval Patrick, assistant attorney-general for civil rights.

THE LEX COLUMN

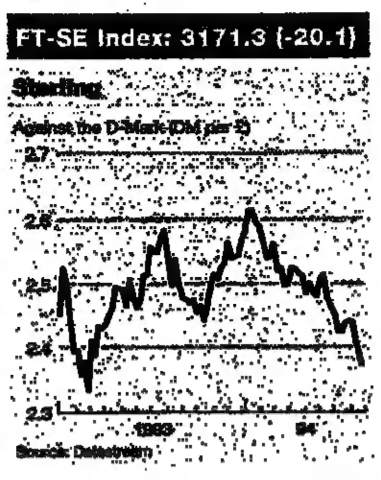
Milk turns sour

It did not require a profound knowledge of game theory to predict that the new mechanism for setting prices in the UK milk market could go badly wrong. After three rounds of a blind auction by Milk Marque, the co-operative that controls two-thirds of the country's milk production, the dairy industry was still bidding for more milk than was on offer. By stopping the process at that point, Milk Marque has in effect admitted that the auction process was flawed.

Whether, as it argues, it called a halt before much of the industry bid itself out of business remains to be seen. Not only were milk purchasers prepared to take the bidding higher, the big dairy groups have offered a premium above the Milk Marque price to farmers prepared to supply them directly. But, in itself, this does not undermine the industry's claim that serious damage will be done by the new prices.

The liquid milk business, where the likes of Northern Foods and Unigate make good returns, faces the smallest price increase, though it will be difficult to pass on much of the rise into the declining doorstep market or the price warring supermarkets. It is butter and cheese producers who will be hit hardest because their milk price was artificially low under the old regime. Returns here are already fairly meagre and the price rises proposed are likely to hasten a reduction in overcapacity. The banks have just decided to pull the plug on the Scottish Milk Marketing Board's Galloway Cheese Company. Unless Milk Marque is forced to relent, an early flotation of Dairy Crest looks out of the question.

FT-SE Index: 3171.3 (-20.1)



Mannesmann

Restructuring old businesses and diversifying into new ones are paying off for Mannesmann. The group's mobile communications venture made its maiden profits contribution in the first half. That should please foreign investors in particular, who have bought the stock on the basis that Mannesmann Mobilfunk was the German equivalent of Vodafone.

Equally, the painful process of cutting jobs and shifting production to cheaper locations outside Germany helps explain the swing into profit by the automotive components businesses and the move to break-even by the tubes division. Mannesmann's new chairman, Mr Joachim Funk, yesterday made clear there is more of the same to come.

But the news from Mannesmann's large engineering and plant division was mixed. Orders rose 34 per cent compared with the previous year – ahead of the German average increase of 26 per cent. The disappointment was that this has yet to show on the bottom line. Some of the blame can be attributed to the seasonality of the plant side of this business. But there are also suspicions that Mannesmann has been bidding unsustainably low prices to retain or even increase its market share. Continued growth from Mobilfunk and recovery of Mannesmann's cyclical businesses will drive profits higher over the next few years. But, with the shares already trading on about 15 times next year's earnings, the stock does not look cheap.

Sterling

It is difficult to judge whether the downward drift of sterling simply reflects the weakness of the dollar or is a sign of anxieties closer to home. Yesterday's economic figures give no obvious reason to worry. Second-quarter growth was higher than anticipated, but exports led the way. The currency markets can hardly fret about the balance of payments. Consumer spending has fallen back since the end of last year, which together with last week's retail price figures should soothe nerves about inflation. Even the political worries which unsettled financial markets earlier in the year have faded.

With growth running so far above trend, inflationary pressures are sure to reassert themselves. But that should not undermine sterling so long as the market is confident that interest rates will be raised in good time. The nagging doubt may be that recent data makes an early rise unlikely, after which other considerations – notably the political party conference season – are excuses to delay.

If the markets are tempted to try to force the chancellor's hand, though, considerable pressure will be required. After the retreat from the exchange rate mechanism two years ago, the exchange rate is hardly high on the policy agenda. Besides, on a trade-weighted basis sterling has lost only 5 per cent this year and is well above the low-point touched last February. While a steadily devaluing currency must give the authorities pause for thought in a period of above-trend growth, sterling's strength against the dollar might actually help keep input costs under control.

Underwriting profits

It is hardly surprising that the Inland Revenue is examining whether sub-underwriting commissions received by pension funds can be brought into the tax net. A recent study for the Office of Fair Trading concluded that profits from underwriting were excessive. And, much as the pension fund industry protests that one-off disasters like the 1987 BP share sale can wipe out years of profits, to the outside world the business looks like money for old rope. Tax officials are unlikely to be put off by arguments that the sums of money are just not worth collecting.

The issue will turn, in the first instance, on the almost theological question of whether pension funds are engaging in a trade when they sub-underwrite share issues. That, in turn, revolves around whether the activity is a regular or only an occasional source of profits. If the industry loses this point, it will fall back on the argument that, in sub-underwriting issues, it is effectively selling issuers put options. So any trading it is engaged in is option trading – an activity where it already has tax exemption.

The industry's final line of defence will be that taxing sub-underwriting fees will push up the cost of capital. All other things being equal, taxing the commissions would tend to increase the cost of capital because sub-underwriters would put up their fees or leave the market. But, if profits are as high as most observers think, a tax could be easily accommodated without any adverse effect.

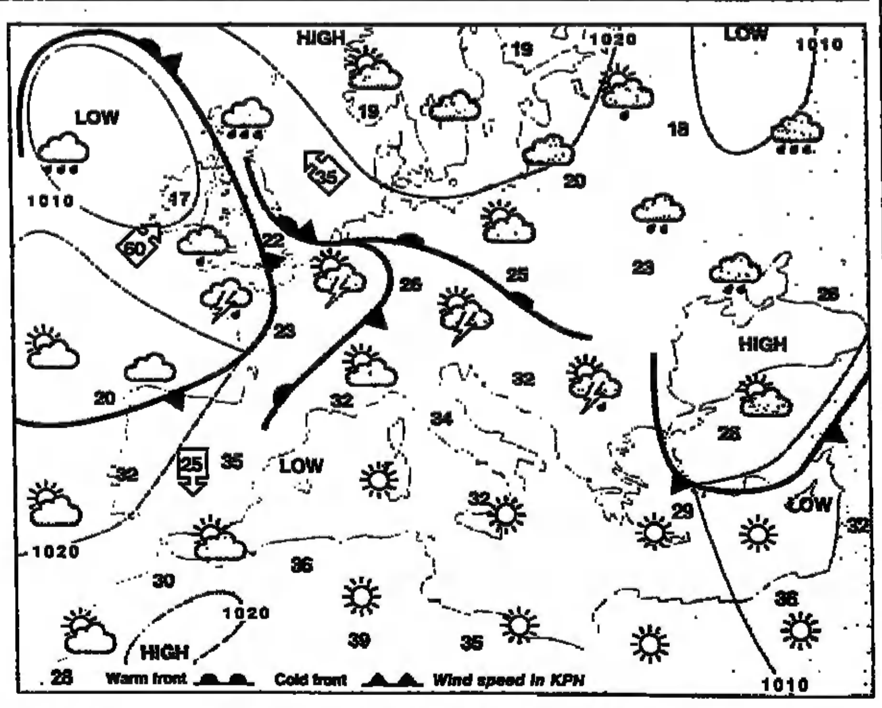
FT WEATHER GUIDE

Europe today

Cool air will spread over France and the Benelux, producing showers. The north-west may have thunder. Afternoon temperatures in France will stay around 19C. Steady rain and blustery showers will keep temperatures at moderate levels over the British Isles and there will be gale force winds on the south-east coast of Ireland and England. Skies will clear along the western coasts of Scandinavia but retreating rain over the Baltics will still keep clouds over southern Sweden and Finland. The Alps will be rather warm with rain and thunder showers. Central and eastern Europe will be cloudy with showers but southern areas will stay dry and warm. Fresh northerly breezes and isolated showers are expected in Russia.

Five-day forecast

Unsettled and cooler conditions will spread further east from western Europe. During the second half of the week, wind and rain are expected over central and eastern Europe and along the Baltic Sea. There is a risk of very heavy rain in the Alps and Germany. South-west Europe will remain mostly dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	fair	29
Algiers	sun	35
Amsterdam	thund	22
Athens	sun	34
Atlanta	fair	32
B. Aires	shower	12
B.ham	shower	20
Bangkok	cloudy	34
Barcelona	sun	30
Beijing	cloudy	29
Belfast	rain	18
Belgrade	cloudy	32
Berlin	fair	24
Bermuda	windy	31
Bogota	cloudy	18
Bombay	shower	31
Brussels	cloudy	22
Budapest	fair	26
C.hagen	fair	19
Cairo	sun	36
Cape Town	sun	18
Caracas	thund	32
Cardiff	shower	19
Casablanca	fair	28
Chicago	fair	27
Cologne	shower	25
Dakar	fair	29
Dallas	sun	34
Delhi	cloudy	28
Dubai	sun	40
Dublin	rain	18
Dubrovnik	sun	32
Edinburgh	rain	16
Faro	sun	28
Frankfurt	shower	28
Geneva	shower	27
Gibraltar	sun	30
Glasgow	rain	17
Hamburg	thund	23
Helsinki	fair	19
Hong Kong	shower	31
Honolulu	fair	33
Istanbul	fair	30
Jakarta	fair	32
Jersey	shower	16
Karachi	rain	34
Kuwait	sun	45
L. Angeles	sun	28
Las Palmas	sun	27
Lima	cloudy	18
Lisbon	fair	27
London	rain	23
Lux.bourg	shower	22
Lyon	fair	27
Madeira	sun	26
Madrid	sun	33
Majorca	fair	34
Malta	sun	34
Manchester	shower	20
Manila	thund	33
Melbourne	cloudy	15
Mexico City	cloudy	24
Miami	fair	35
Milan	fair	32
Montreal	fair	24
Moscow	fair	19
Munich	fair	27
Nairobi	cloudy	22
Naples	sun	33
Nassau	fair	32
New York	fair	25
Nice	fair	28
Nicosia	sun	35
Oslo	fair	21
Paris	thund	23
Perth	cloudy	20
Prague	shower	25
Rangoon	cloudy	32
Reykjavik	fair	13
Rio	fair	29
Rome	sun	32
S. Frsco	fair	23
Seoul	sun	32
Singapore	cloudy	30
Stockholm	fair	19
Strasbourg	shower	26
Sydney	shower	16
Tangier	fair	30
Tel Aviv	sun	34
Tokyo	shower	27
Toronto	fair	25
Vancouver	fair	20
Venice	sun	31
Vienna	shower	28
Warsaw	fair	23
Washington	fair	29
Wellington	rain	12
Winnipeg	shower	26
Zurich	shower	25